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China May Drop Pledge On Arms-Control Pact U.S. Sanctions for Alleged Missile Sales To Pakistan Provoke an Angry Threat

By Lena H. Sun Washington Post Service BEIJING — Promising further strains with the United States, China threatened Friday to end compliance with an important arms control agreement in retaliation for U.S. economic sanctions against Beijing. The sanctions, imposed as punishment for what the United States said was China's sale of missile components to Pakistan, drew a "strong protest" from the Chinese government Friday, the Xinhua press agency reported. Deputy Foreign Minister Liu Huaqing summoned Ambassador J. Stapleton Roy to inform him that China viewed the sanctions as "a naked hegemonic act," the agency reported. "The Chinese government and people express their utmost indignation at such a move on the part of the U.S. government that compromises China's sovereignty, dignity and interests, and puts Sino-U.S. relations in serious jeopardy," Mr. Liu was quoted as saying. "Now that the U.S. side has resumed these sanctions, the Chinese government has been left with no alternatives but to reconsider its commitment to the Missile Technology Control Regime," the official agency also quoted Mr. Liu as saying. He warned that "the U.S. government shall be held fully responsible for all the consequences arising therefrom." The Missile Technology Control Regime is a voluntary arrangement among 18 countries restricting the export of missiles and related technology. China is not a member, but like Argentina, Israel and several other countries, it has agreed to abide by the guidelines. When China announced its decision to comply with the guidelines in February 1992, the Bush administration welcomed the move as a major step forward for arms control cooperation. In return, the United States lifted some sanctions imposed on China in 1991. If China, one of the world's major weapons exporters, follows through with its threat to ignore the provisions of the missile agreement, it will be a major setback for U.S. efforts to halt arms proliferation by other countries. What is more likely, however, is that the announcement was a face-saving gesture designed to show China's anger at what it considers American bullying tactics on issues ranging from arms proliferation to human rights to Beijing's bid to host the Olympics in 2000, according to Western diplomats and analysts. "The Chinese have a vision of themselves as a



A Muslim girl holding her mother's hand as her stretcher was carried to the UN base at Medjugorje, Bosnia. Croats allowed her and four other wounded children out of Mostar on Friday. The warring factions debated the peace plan in their respective strongholds. Page 5.

Bonn Backs Away From Farm Feud With U.S.

But France Still Expects Chancellor's Support To Renegotiate Treaty By Brandon Mitchener International Herald Tribune FRANKFURT — Germany appeared Friday to back off from a suggestion that it would side with France to bring new concessions from the United States before signing a new global trade pact. Chancellor Helmut Kohl "did not say we want to renegotiate" the Uruguay Round of the General Agreement on Tariffs and Trade, said Norbert Schäfer, a German government spokesman. Mr. Kohl had agreed on Thursday to work closely with France to find an answer to "enormous problems with the agricultural part" of the Uruguay Round. The trans-Atlantic compromise on cuts in European farm subsidies is called the Blair House pact, named for the guest house in Washington across from the White House. It is the key to the broader accord. "It's news to us to hear that we have problems with Blair House," said the Economics Ministry. Officials in Germany's Foreign and Agriculture ministries were also surprised by Mr. Kohl's comments. Germany's apparent attempt to distance itself from the chancellor's remarks may confuse France, which had already claimed victory in its attempt to sink the unpopular agricultural accord, Jacques Delors of France, president of the European Commission, hailed reports of a new German flexibility by saying Mr. Kohl, in deference to France, had chosen a "grand visioo of Europe" over its own domestic interests. [Aides to Prime Minister Edouard Balladur of France shrugged off the apparent weakening of German support over farm trade, saying he had won concessions from Germany regardless of what officials in Bonn were saying. Reuters reported from Paris, "They're playing with words," an aide to Mr. Balladur said.] [The Clinton administration was trying urgently Friday to determine whether Mr. Kohl had actually reneged on Germany's support for the Uruguay Round's farm compromise, but trade officials said that if he meant to change European policy, "this would cause grave concern." Lawrence Mallico of the International Herald Tribune reported from New York.] The German agriculture minister, Jochem Borchert, said both countries were studying how to bring the planned farm subsidy cuts into harmony with the European Community's 1992 reform of its Common Agricultural Policy. But Germany never intended to suggest the Blair House deal be reopened, German government sources said. Such negotiations would make it hard to conclude the Uruguay Round of world trade talks on schedule by Dec. 15. "It's hard for me to imagine the government would want to renegotiate anything," said Klaus-Jörg Heyuen, an official with the German Agriculture Ministry in Brussels. Germans sometimes call Mr. Kohl a one-man government because of a tendency to make policy before consulting other officials. The confusion over Mr. Kohl's latest comments, made Thursday after he met with Prime Minister Edouard Balladur of France, overshadowed the image of harmony the two leaders had tried to project. French-German friendship, often described as the axis around which the rest of Europe revolves, has been strained to the breaking point recently over differences on trade and monetary policy. On trade, Germany is trying to balance allegiance to the United States world's largest agricultural exporter, and to France, the second-largest. "The Germans are in a difficult position," the conservative daily Frankfurter Allgemeine Zeitung wrote in a front-page editorial. "Especially now, as suspicions of renewed nationalism arise, they want to be seen as good Europeans. But among Europeans, next to the British, they're the most assiduous Atlantic power." Mr. Schäfer, the government spokesman, said Germany's doubts were "not a question of new negotiations of Blair House but a question of how we deal with the difficulties that arise when the agreement comes into force." France See KOHL, Page 11

NATO Plan: 50,000 Troops for Bosnia

By John Lancaster and Daniel Williams Washington Post Service WASHINGTON — With Bosnian peace talks reaching a critical point, NATO military planners have begun to prepare for the possible deployment of roughly 50,000 peacekeeping troops, including thousands of U.S. infantry soldiers and Marines, according to senior NATO officials. If a peace agreement is reached, the U.S. troops and their NATO counterparts will arrive in Bosnia by rail, road and air, then spread out across the countryside to help maintain order while the country is rebuilt. The size of the American contribution has yet to be determined, but it could reach 20,000 or more, the officers said. The planning is still in its preliminary stages, since neither the United States nor its allies in the North Atlantic Treaty Organization want to commit specific numbers of troops until there is a workable settlement among Bosnian Serbs, Croats and Muslims. Even then, American and NATO troops could be in for a long and dangerous stay if the parties resumed hostilities. That could prove politically damaging for the Clinton administration, which is already struggling to map an exit for American soldiers from Somalia and preserve its focus on domestic policy. Nevertheless, President Bill Clinton intends to live up to the commitment he made in February to provide U.S. ground troops in support of a peace settlement, American officials said. The administration has with reservations embraced a plan negotiated by European Community mediators in Geneva that would carve the country into three ethnically distinct republics. "Ground troops are certainly under consideration," a senior administration official said. "We would certainly not rule that out by any means." Peace talks are scheduled to reconvene Monday in Geneva. American officials said that beyond reaching agreement, the three parties would have to take concrete steps — such as impounding heavy weapons and ceasing hostilities — to show they intended to abide by the accord. The United Nations would then authorize the peacekeeping mission, paving the way for deployment of NATO troops. At the same time, American officials do not See DEPLOY, Page 5

'Gaza-Jericho' Option Comes to Fore

By Clyde Haberman New York Times Service JERUSALEM — When the Middle East peace talks resume in Washington on Tuesday, Israeli and Palestinian negotiators are expected to discuss mixtures of new and old ideas that have senior officials on both sides speaking optimistically about a possible breakthrough. Perhaps the most talked-about new plan would quickly give the Palestinians authority over the tumultuous Gaza Strip and the quiet West Bank city of Jericho, with Israeli forces pulling back from those areas. More sensitive questions — control over the rest of the West Bank and, thence, yet, the future of Jerusalem — would come later. The "Gaza and Jericho first" idea has been embraced by Yasser Arafat, chairman of the Palestine Liberation Organization, and has qualified support from Foreign Minister Shimon Peres of Israel. But Prime Minister Yitzhak Rabin is said to be highly skeptical, and in the

Somali Security Is the Key Aspin Says U.S. Won't Quit Without It

Compiled by Our Staff From Dispatches WASHINGTON — American combat troops in Somalia will withdraw once security is established in the capital, heavy weapons are out of the hands of warlords and a national police force is set up, Defense Secretary Les Aspin said Friday. In a speech designed to reinforce the American rationale for having deepened involvement in Somalia, Mr. Aspin gave no specific timetable for bringing home U.S. forces, which include about 1,200 combat troops and 2,800 support troops. He stressed Washington's commitment to the United Nations operation and outlined conditions to be met before American forces withdrew. The danger now is that unless we return security to south Mogadishu, political chaos will follow any UN withdrawal," Mr. Aspin told an audience at the Center for Strategic and International Studies. "The danger we're dealing with here is that the situation will return to what existed before the United States sent in its troops," he said. Senior administration officials have said that an American military presence will be needed in Somalia until the United Nations succeeds in establishing a minimal level of security. President Bill Clinton decided last weekend to send 400 Army Rangers to Somalia to supplement the combat troops already there. Mr. Aspin said the president was determined to "stay the course" until United States and United Nations forces can help the Somalis begin to rebuild their nation. "President Clinton has directed that U.S. forces remain long enough to complete their mission and no longer," Mr. Aspin said. "The completion of the mission chiefly concerns security in Somalia." He cited three main goals: • First, the security issue in south Mogadishu "must be settled." • Second, he said, the United States must "make real progress" toward taking heavy See ASPIN, Page 2

Kiosk Security Council Lifts Sanctions Against Haiti UNITED NATIONS, New York (Reuters) — The Security Council voted unanimously on Friday to lift an oil embargo and other sanctions against Haiti because a democratic government is on the verge of replacing the country's military regime. Under a UN-brokered peace plan, sanctions are to be suspended once a new prime minister takes office. Robert Malval, who was chosen by the ousted president, the Reverend Jean-Bertrand Aristide, will be sworn in Monday. But the Security Council left open the possibility of reimposing sanctions.



BACK IN THE SPOTLIGHT — Michael Jackson performing in Bangkok on Friday after a two-day hiatus. In Los Angeles, where the singer is being investigated for child abuse, a 13-year-old boy told investigators their relationship "got out of hand." Page 5.

Taiwan's Aircraft Industry Nears Its Baptismal Deal

Compiled by Our Staff From Dispatches TAIPEI — British Aerospace PLC and Taiwan Aerospace Corp. said Friday that they had overcome key financial obstacles to a venture that aims to make Taiwan a player in the world aircraft industry and save British jobs. The companies agreed to January to set up the joint venture to make regional passenger jets, or commuter jets. The manufacture of these planes is considered to be an industry growth area for the 1990s as the world's airlines seek to provide better service on a growing range of short-haul routes. But the partners ran into disagreement over their respective contributions to the venture, as well as over the transfer of technology to Taiwan. Taipei officials said last week that the deal might have to be canceled. The financing agreement was reached after five days of negotiations in Taipei among Earle Ho, chairman of the 29 percent government-owned Taiwan Aerospace; K. S. Liang, chairman of Chiao Tung Bank, and John Cahill, chairman of British Aerospace. The bank chairman said Friday that British Aerospace and Taiwan Aerospace had each agreed to increase its investment by \$200 million to meet the venture's initial capital requirement. A banking consortium headed by Chiao Tung will finance the injection on the Taiwan side, the vice economics minister, Yang Shih-chien, said. News reports in Taiwan said the government would dip into its foreign reserves to guarantee the loan. It was unclear how much money would be provided. The banks had earlier demanded that property or other securities be put up as collateral for loans. British Aerospace balked at that suggestion, according to officials in the Taiwan government, leading to the negotiations in Taipei. The January agreement called for the formation of a \$375 million, 50-50 joint venture making the RJ family of four-engine planes in Woodford, England, and Taichung, Taiwan. The companies said they would hold talks in September in Britain over other details, including technology transfer and development of an advanced plane known as the RJX, before signing a final contract. British Aerospace unions were angered by the deal, which led the company to halt production of the jets in Hatfield, England. About 3,000 jobs were eliminated, but the company said thousands of jobs in the Manchester area were preserved by the deal that saves part of the regional passenger jet business. British Aerospace reported a pretax loss of £1.2 billion (\$1.8 billion) for 1992, including a £1 billion charge against earnings for restructuring the regional jet operations. Mr. Yang, Taiwan's vice economics minister, See DEAL, Page 12

Prime Time in Shanghai, and Stocks Are the Stars

SHANGHAI — The biggest hit on Shanghai television this year probably won't be a Hong Kong soap opera or even a Taiwan variety show, but a lucky draw for buying shares on the local stock market. Shanghai television executives have given the event prime-time billing on Saturday night — what they call "golden time." This is when Shanghai bettors who have splashed out a staggering 900 million yuan (\$157.5 million) on lottery tickets will find out whether they have won the right to buy shares in companies to be listed this year on the Shanghai Securities Exchange. Despite government attempts to cool speculation on the Shanghai bourse, residents of China's largest city have lost none of their appetite for "winning stocks." "It won't just be the most watched show on television, it will be a day of tragedy or joy for many people," said the China Securities newspaper under the headline "An Unforgettable Event." A million people — from senior Communist Party officials to local Public Security Bureau operatives — were mobilized to run the lottery. About 180 million tickets, priced at five yuan, were snapped up in five days at sales points across the city. The odds of success have been calculated at 2 in 1,000 — reasonable odds since each winning ticket can buy 500 shares, probably priced around 5 yuan and likely to double or triple in value once they start officially trading. For small operators it is a gamble, but big-time traders who bought tickets in bulk should make a killing. So should the cash-strapped city government, which pockets the proceeds of the lottery. "The money is spent on the handicapped, infrastructure construction projects, that sort of thing," said a stock exchange spokesman, Wang Huizhong. Beijing's attempts to cool the stock and property markets by tightening bank credit have caused scarcely a ripple of concern in Shanghai, where staff members of the Securities Exchange work overtime in rotation to process 40,000 to 50,000 new account applications each week. Shanghai has 3 million account holders, roughly a million of them residents of the city, which has a population of 13 million. The Shanghai stock market, set up at the end of 1990, is expanding so fast that the original trading floor — in the ballroom of a pre-revolutionary hotel near the famous Bund — can house only a fraction of the members. A second floor of the hotel was commandeered, and now a former tea factory down the road is being refurbished to hold See FORTUNE, Page 13

STATESIDE / TARGET ENHANCEMENT

POLITICAL NOTES

Trade Pact Prompting Republican Warfare

WASHINGTON — The tangled politics of the North American Free Trade Agreement have become entangled in Republican Party politics...

Mr. Buchanan, a hard-line rightist who offered an unexpectedly strong challenge to President George Bush last year, announced that he would form a group to distribute essays and other criticism of the pact...

While criticism of the free trade agreement by labor and environmental groups has attracted more public attention, conservative critics worry the Clinton administration, 1993, because it is counting on overwhelming Republican support to win congressional approval of the deal...

Mr. Buchanan accused the two other Republicans, Jack F. Kemp, secretary of housing and urban development in the Bush administration, and Senator Bob Dole of Kansas, the minority leader, of betraying conservative ideals by siding with Mr. Clinton in supporting the trade agreement...

The accord would gradually eliminate import tariffs and other barriers among Canada, Mexico and the United States. The side agreements would create three-nation agreements in an effort to make sure that each country enforced its labor and environmental laws...

One Little Tax Clause Gives Lobbyists Fense

WASHINGTON — The ink is still fresh on that \$500 billion package of tax increases and spending cuts that Congress enacted three weeks ago, but this city's restless lobbying corps is already in high dudgeon over one clause in it...

The lobbyists are forming new business coalitions, and dusting off old ones, to seek its quick repeal on Capitol Hill. They are churning out position papers and staging seminars that explore its legal intricacies and scout its loopholes...

The reason for all the hubbub is what the clause does: It eliminates the tax-deductibility of lobbying expenses, more or less, for many, but not all, taxpayers.

The lobbyists could have fared worse. The Senate wanted a far stricter and more encompassing ban on tax deductions for lobbying than the House did. Most lobbyists saw the whole issue as such a political tarbaby that they sat out the debate, fingers crossed.

It's a nuisance," George Webster, a Washington lawyer and lobbyist, said of the clause.

President Bill Clinton, asked when he planned to return to Washington from vacation on Martha's Vineyard: "As late as possible."

Choice for Joint Chiefs Is Son of Nazi Officer

WASHINGTON — The father of General John M. Shalikashvili, President Bill Clinton's choice as the nation's top military commander, served as an officer in the Waffen SS during World War II...

It was not immediately clear whether the White House knew the full details of Dimitri Shalikashvili's wartime service when President Clinton decided to nominate General Shalikashvili as chairman of the Joint Chiefs. He is currently commander of NATO forces.

"It was certainly known that his father served in the German Army," said an administration official.

A White House spokeswoman, Ricki Seidman, said, "This record stands on its own and his father's history is not relevant."

Dimitri Shalikashvili was born in Georgia but had moved to Poland and became a high-ranking officer in the Polish Army by the time the Nazis invaded Poland in 1939.

In his autobiography, the elder Shalikashvili wrote of briefly being taken prisoner by the Germans and then released.

He remained in Warsaw with his wife, who came from a wealthy German family, and appears to have enjoyed a comfortable lifestyle in the midst of the war — a fact that, along with other descriptions in the book, indicates he was collaborating with the Nazi conspirators of Poland, Rabbi Hiler said.

Away From Politics

A retired KGB officer who stands with Lee Harvey Oswald in Mexico City said he would disclose startling details about President John F. Kennedy's assassin in a book to be published in November.

A prominent tax lawyer was indicted in Marietta, Georgia, on charges of arranging the killing of his wife, who was shot in the head in November as their two young sons looked on.

An 11-year-old girl in Sullivan County, New York, who died of rabies in July 11 was infected by a strain of bat rabies, and not by a strain that originated among raccoons, New York state health officials said.

Fumes from a chemical plant explosion in Elyria, Ohio, forced the evacuation of about 5,000 people, authorities said. More than 40 were treated for breathing difficulties or other minor problems.



U.S. marshals escorting Sheikh Omar Abdel Rahman to a helicopter in New York after his arraignment in federal court. He has been held in an upstate New York jail since July 2.

The Case Against the Sheikh Prosecution Evidence Largely Circumstantial

By Pierre Thomas and Lynne Duke

WASHINGTON — Justice Department officials plan to prosecute Sheikh Omar Abdel Rahman, a Muslim spiritual leader, for a plot to bomb the World Trade Center...

Like an organized crime prosecution, in which a boss seldom may be linked to specific crimes, the prosecution will try to portray Sheikh Abdel Rahman as a leader who rarely dived his hands with direct involvement in conspiracies executed by followers.

Among the other specific allegations concerning the sheikh are that he instructed the informer to "proceed cautiously" with the plan to bomb a federal office building and "look for a plan to bomb the United States military."

The indictment also says that he presided over a meeting in which he discussed whether an informer was trying to thwart a plot to assassinate Mr. Mubarak.

Brian Jenkins, a terrorism expert with the international investigative firm of Kroll Associates, said conspiracy cases such as this often come down to the issue of "intellectual authorship as opposed to physical participation in the action."

The evidence emerged over time as prosecutors read English transcripts of more than 150 hours of tapes secretly recorded by an informer.

The sheikh and 21 other men in a confederation of extremists operating in the New York area are charged, in varying combinations, with the Feb. 26 bombing of the World Trade Center...

Prosecutors also developed evidence against Sheikh Abdel Rahman by re-evaluating previous criminal cases involving some of his followers, particularly the trial of El Sayyid Nosair, who was acquitted in the Kahane killing but imprisoned on weapons charges.

Officials were also concerned that their cases against the sheikh's followers would be weakened if they were not indicted. "The trial sooner or later would have centered around Rahman," one law enforcement source said.

Much of the government's case against Sheikh Abdel Rahman will depend heavily on an accumulation of circumstantial evidence and on whether prosecutors can convince a jury that vague comments, some in religious language, were actually specific orders. Prosecutors main-

SDI Official Admits Making Missile in Test Easier to Hit

By Tim Weiner

WASHINGTON — A retired general who helped oversee a disputed 1984 "star wars" test says the target missile was artificially heated to make it an easier target for a heat-seeking interceptor missile to hit.

But the retired army major general, Eugene Fox, then the deputy program manager for the test, denies that the test was rigged. He also denies that Congress was misled about the experiment, in which the interceptor missile hit the target over the Pacific.

The experiment was a crucial technological milestone for the fledgling missile-defense program, which has been under attack by scientists and skeptics since its inception in 1983.

The goal of the \$30 billion Strategic Defense Initiative, the "star wars" program, was to build systems that could shoot down an enemy's intercontinental ballistic missiles. After 10 years, it produced little in the way of a working system, although its defenders say it contributed significantly to the downfall of the Soviet Union by accelerating Soviet military spending and thus damaging the Soviet economy.

In May, Defense Secretary Les Aspin announced "the end of the 'star wars' era" and a scaling-back of the missile-defense program.

At the time of the 1984 test, Pentagon officials said it was proof that a missile could hit another missile in mid-flight. Former Defense Secretary Caspar W. Weinberger said in a written response to questions on the subject that the test had been intended to be "as realistic as possible."

But Mr. Fox said in an interview that the artificial heating made the target 10 times more visible to a sensor on the interceptor than an actual Soviet warhead would have been. He cited an openly published report to Congress in 1985 on the test by the Office of Technology Assessment, an analytical branch of Congress.

"Clearly, we heated it because we wanted to see it," he said. "People can argue about that, and that's fair. That didn't mean that we were trying to cheat. In the entire concept of this test, people could fault us. My point is what we did was a normal test event."

Mr. Fox said an explosive charge had also been placed on the target missile. "We put a charge on it so that if we just happened to nip it, we could see it," he said, adding, "It looked like a nuclear explosion."

John Pike, director of space policy at the Federation of American Scientists and a critic of the missile-defense program, said the general's description made it appear that "the test was rigged at least two different ways."

He added, "The debate is now out whether the test was rigged, but how it was rigged."

Veterans of the missile-defense program who brought their test-rigging assertions to congressional investigators this summer said the 1984 test was manipulated when the target missile was equipped with electronic devices that helped the interceptor locate and destroy it.

These officials also said the manipulation of SDI tests was part of a deception campaign, intended to fool the Soviet Union, that overstepped its bounds and wound up misleading Congress about the progress of the missile-defense program.

The assertions outraged senior members of the Reagan administration, who saw the accusations as a partisan political attack by Democrats in Congress.

Mr. Weinberger called the assertions fairy tales. He said nothing had been done to deceive Congress or the Soviets about the program or the disputed test. He also said that comments he made last week about the frequent use of deception programs by the Pentagon had not been meant to confirm the existence of any deception program connected with SDI or to suggest that the disputed test had been deceptive.

"The test was not enhanced in any way," Mr. Weinberger said in his written response. "Various aspects of the test were designed to make it as realistic as possible given the fact that obviously an actual Soviet re-entry vehicle could not be used to test our interceptor."

The charges, brought to Senator David H. Pryor, Democrat of Arkansas, a critic of SDI contracting practices, led Defense Secretary Les Aspin to order an investigation last week. On Wednesday, Deputy De-

'Clearly, we heated it because we wanted to see it. People can argue about that, and that's fair. That didn't mean that we were trying to cheat.'

Eugene Fox, deputy program manager for the test.

Defense Secretary William J. Perry asked his staff to write a report in time for him to "resolve the issue in the next two weeks," a Pentagon official said.

Last year, the General Accounting Office, the investigative arm of Congress, audited seven SDI tests conducted between 1990 and 1992. The auditors found that three of the tests had been accurately described to Congress.

Those three tests were complete or partial failures. SDI officials told Congress that the other four tests had been successes. That was untrue, the auditors said.

The inaccurate claims involved the success rates of experiments, the progress of the programs, the sophistication of the tests, the ability of interceptor missiles to distinguish between a target and a decoy and the missiles' achievement of accuracy and altitude goals, the auditors reported.

"They have lied about certain functions that their missiles are supposed to perform," said a federal investigator. "They've used things to enhance the target. The fact is that you've got something up there solving your guidance problem. And you've got an incentive to deceive. That's how you keep your program going."

A former Reagan administration official, a nuclear physicist who closely studied the missile-defense program in the 1980s, said it had been characterized by "screaky, greed, self-deception, deception of the Congress and actually even of the president."

Other Reagan administration officials and Pentagon documents confirm the existence of deception plans attached to SDI.

An April 1987 Joint Chiefs of Staff memorandum entitled "Special Issues Guidance — Strategic Defense," says the Pentagon should improve and update deception plans covering the missile-defense program's cost and abilities.

How to make an international call without Sprint Express. How to make an international call with Sprint Express.

1 Get your hands on some of the local currency. But be aware the large bills won't fit in your tiny American wallet.

2 Get some change to use in that interesting-looking phone booth on the corner.

3 Dust off your foreign language phrasebook and look for the page on "using the telephone." (It's right after how to say "We have lost our luggage" and "Stop thief.")

4 Look for the number of the party you're trying to call. Get ready to tell them how successful and relaxing your trip has been so far.

5 Back at the hotel, ask to see your bill. Notice that last night's calls to Fumafud, Tivonta have cost you a week's pay. Rather than get so upset over it, seek some relief and vow to look for a better way next time.

Table with columns for country, area code, and Sprint Express number. Includes countries like Australia, Austria, Belgium, Canada, Denmark, France, Germany, Greece, Hong Kong, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, USA, West Germany.

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QUICK GERMAN FOR THE TRAVELER. Includes a small image of a person and text about German food and travel.

Bosnia Rivals Face Moment of Truth On Ethnic Partition

By Chuck Sudetic
New York Times Service

SARAJEVO, Bosnia-Herzegovina — Members of Bosnia-Herzegovina's parliament on Friday overwhelmingly advocated rejecting a United Nations peace plan unless formerly Muslim-majority districts are joined to a proposed Muslim-dominated Bosnian republic.

The peace plan, drawn up in Geneva, would reorganize Bosnia into a loose union of Serbian, Croatian and predominantly Muslim units.

In the eyes of most Bosnians, however, the plan would reward the Serbs for "ethnic cleansing," create a handlocked Muslim-dominated country with grim economic prospects, and pave the way for

The self-styled Bosnian Croatian parliament is scheduled to meet Saturday in the town of Grude. Miro Lasic, a Croatian member of Bosnia's collective presidency, said no vote by the Bosnian parliament would be binding on the country's Croatian people.

The Bosnian presidency ousted the country's prime minister, Mile Akmezić, a Croat, on Friday after the Croatian Democratic Union withdrew its representatives from the parliament.

Radovan Karadzic, leader of the Bosnian Serbs, threatened earlier in the week that the Serbs would press on militarily unless the Bosnian parliament accepted the peace plan.

Speaking to the Bosnian parliament and several hundred academics, writers, many officers and other public figures invited to participate in Friday's debate, President Alija Izetbegovic said the UN peace plan could be used as a basis for further discussion but could not be accepted because it rewards the Bosnian Serbs with at least eight districts that had Muslim majority populations before the Serbian militia drove them out last year.

"We are experiencing great hardship," said Mr. Izetbegovic, who is scheduled to return to negotiations on the peace plan in Geneva starting Aug. 30. "But this is no time for defeatism."

Mr. Izetbegovic called for an Adriatic Sea outlet, and for guarantees that the proposed Union of Bosnia and Herzegovina would remain an internationally recognized state and UN member.



A Sarajevo youngster taking advantage of a wrecked car to use as a ramp for skateboarding.

Germans Want Treasure Back Russian Plan to Display Artifacts Challenged

New York Times Service

BERLIN — German politicians and others have stepped up a campaign to assert their claim to the treasure hoard from the ancient world that the Russians stole during World War II and announced this week would be put on display.

"In terms of rights, it belongs in Berlin without a doubt," said Ulrich Rohlf-Mommsen, Berlin's culture minister.

The treasure, believed by many to have belonged to King Priam of Troy, consists of thousands of finely crafted items ranging from exquisite plates, goblets and vases to death masks, tools and spectacular rings, bracelets, necklaces, breastplates, brooches and pins.

The question of who owns art that was looted from European collections during and after World War II remains delicate. For decades, Cold War secrecy made it impossible for researchers to trace many lost collections.

Germans were alarmed by the remarks of Yevgeny Y. Sidorov, the Russian minister of culture, who said in an interview in this week's Literaturnaya Gazeta that the treasure "must be returned to display for the appreciation of mankind" and suggested that it be shown in "Greece, Turkey and other countries."

Mr. Sidorov made no mention of Germany, which considers itself the legal owner of the treasure. Nor did the Greek culture minister, Dora Bakoyannis, who announced at a news conference Thursday that President Boris N. Veltain wanted the treasure to be displayed first in Athens.

Miss Bakoyannis said Greece had no claim on the treasure, but some Germans fear that the Athens exhibition could touch off a wave of sentimental nationalism.

Nazi troops stole hundreds of thousands of art works from areas of the Soviet Union that fell under their control. After the Nazi regime was defeated, occupying Soviet troops confiscated a roughly equivalent number of German-owned art works.

In an attempt to speed the return of these works, Russia and Germany signed a treaty this year that affirms the rights of original owners. Neither side, however, believes that the other has revealed all it knows about missing treasures.

Heinrich Schliemann, the amateur German archaeologist who discovered the treasure at the site of ancient Troy in Turkey in 1873, paid the Turkish sultan 50,000 gold francs for permission to take it away. He offered to build a museum in Athens to display it, but the Greek culture minister turned him down, reportedly saying, "Mr. Schliemann should collect his beads and leave us in peace."

Thus rejected, Mr. Schliemann brought the treasure to his native Germany, and in his will he left it to "the German people." It was on display in Berlin for decades, and during World War II it was hidden in an underground bunker. Soon after the Red Army captured Berlin, it disappeared.

Mr. Rohlf-Mommsen said the city of Berlin and the German government "will make every effort to assure that this treasure, which Schliemann left to the German people," is returned to its legal owners in Berlin.

A large headline in Bild, Germany's largest-circulation newspaper, demanded, "Mr. Veltain, Give the Trojan Treasure Back to Berlin!"

"Quick clarification of this matter would prevent a disturbance of Russian-German relations and would be very welcome," the Berliner Morgenpost said in an editorial.

Berlin Awaits a Decisive September

By Stephen Kinzer
New York Times Service

BERLIN — A series of decisions to be made next month could change the face of Berlin for years to come.

The city council is scheduled to decide on Sept. 2 whether to cut off subsidies to the Schiller Theater, one of the city's best known, and to its principal state-sponsored arts center. Cutoffs would probably mean the closing of both.

Soon afterward, a panel of government officials and private specialists is to decide whether to allow the reconstruction of the Stadtschloss, a 16th-century palace among the best-known palaces in Europe for more than 200 years.

On Sept. 25, the International Olympic Committee will announce whether the Olympic Games will be held here in the year 2000.

Berlin has grown dramatically in recent years, both geographically and psychologically. Before Germany was reunified in 1990, West Berlin was isolated from the rest of West Germany, and its 2 million inhabitants received a variety of subsidies to encourage them to stay.

Today the city has nearly 3.5 million residents and is widely considered the most important crossroads in Central Europe.

The German parliament voted in 1991 to move the national capital from Bonn to Berlin, adding to Berliners' conviction that their city is returning to its former glory. Although the city is still uncertain how quickly the government will actually move, planning for construction of parliamentary and ministerial buildings is well under way.

Although chances for saving the Schiller Theater do not appear bright, there is some hope that the city council will turn down a proposal to shut the Academy of Art, a display and performance center that features work by Berlin playwrights, dancers and graphic artists. Some councilors have suggested that the academy become a work center for artists from Eastern Germany whose careers were stunted by political persecution.

Of greater interest to many Berliners is the fate of the Stadtschloss, the palace from which the Hohenzollern dynasty once ruled much of Central Europe. For generations, it was a central symbol of the city.

The Stadtschloss, in the former East Berlin, was heavily damaged by Allied bombing during World War II, but its facade stood until 1950. Then the Communist leader of East Germany, Walter Ulbricht, ordered it demolished, over the protests of architects and preservationists.

A group of citizens eager to rebuild the palace has erected a full-scale steel-and-plastic model on the site. The model houses an exhibition about the palace's history, and many of the thousands of visitors leave persuaded that it should be rebuilt.

There is strong opposition, however. Some critics say the project is artificial, too expensive and dangerously nationalistic. The government wants the site for the Foreign Ministry.

None of these issues, however, has attracted as much debate as the city's bid for the Olympic Games. "Berlin's chance is clearly greater than it was a year ago," Juan Antonio Samaranch, president of the International Olympic Committee, said recently. Mr. Samaranch was in Germany to attend the world track and field championships in Stuttgart, which he described as "the best of all world championships and a great help for Berlin's Olympic application."

Others bidders for the Olympics in 2000 are Sydney, Beijing, Istanbul and Manchester, England.

DEPLOY: NATO's Plans for Peacekeeping in Bosnia Envision a Force of 50,000 Soldiers

Continued from Page 1

want to wait too long to judge the effectiveness of any accord, fearing that Serbian forces might take advantage of the delay to resume their attacks. Washington thus expects a phased insertion of NATO troops area by area in Bosnia as the Serbs withdraw.

The bulk of the planning is taking place at the Naples headquarters of Admiral Jeremy M. Boorda, who commands allied forces in southern Europe. Admiral Boorda had something of a head start, having already commissioned detailed peacekeeping plans in anticipation of an earlier proposal, the so-called Vance-Owen peace plan, which would

have divided the country into 10 semi-autonomous cantons.

That proposal fell apart in May when the Serbs refused to sign, but Admiral Boorda ordered his staff to continue the planning effort through late June in anticipation that some military intervention might be needed, NATO sources said. Two weeks ago, the admiral told staff members to resume their planning as negotiators reported progress in the Geneva talks, a senior NATO officer said.

"If NATO gets called upon to do the job," the officer said, "it just makes good sense to be ready to do it, because the planning is very complex."

NATO officers said planners had come up with a slimmed-down version of the earlier peacekeeping plan, which called for deployment of 25,000 to 30,000 U.S. troops out of a total NATO commitment of 77,000. They added, however, that because Admiral Boorda's staff received its copy of the Geneva draft agreement only this week, planners had yet to determine how many troops the new mission would require; several put the ballpark figure at 50,000.

In addition, Washington and its allies are playing a game of who-goes-first, awaiting indications of how many troops the others will send before publicly committing.

The plans rely heavily on the 1st Armored Division, which would deploy by rail and road from its base in Bad Kreuznach, Germany, with a sizable number of Bradley Fighting Vehicles and somewhat smaller numbers of tanks and artillery pieces, NATO officers said. The operation would also involve a smaller number of Marines, who would deploy from amphibious warships through ports in Croatia or possibly by air.

The NATO officers said John M. Shalicki, the army general who is the top NATO commander in Europe and soon-to-be chairman of the U.S. Joint Chiefs of Staff, wanted to move in quickly and secure heavy weapons with the goal of establishing security early in the mission.

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Yeltsin's Budget Cut Loses, Endangering IMF Aid

By Lee Hockstader
Washington Post Service

MOSCOW — The Russian Parliament took another step in Friday, rejecting his plan to slash the budget deficit and calling into question future funding from the International Monetary Fund.

The anti-reform legislature, which includes many holdovers from Communist rule, easily overrode Mr. Yeltsin's veto of the budget it adopted last month. On a 151-to-3 vote, it backed a deficit of \$22 billion, more than double the government's proposal, and the equivalent of 25 percent of the gross national product.

It seems unlikely that the vote, coming amid an ongoing political struggle between the president and the parliament, will carry the day in the end. The parliament regularly attacks Mr. Yeltsin's proposals, only to be ignored or one-upped by the president. Some deputies acknowledged Friday that he might simply veto the budget again on technical grounds.

Even if the parliament's budget stands, it could not be carried out unless Russia's central bank agreed to print more rubles to cover the enormous deficit. Legally, the bank is controlled by the parliament, but in fact it has not always done the legislators' bidding.

Still, the tussle over the budget is dangerous for the government. With monthly inflation running at around 20 percent and a higher rate expected for August, the parliament's budget could add to inflationary expectations.

It could also endanger \$1.5 billion that Russia had hoped to receive from the IMF this year. IMF officials have made it clear that the funding, designed to ease Russia's transition to capitalism, depends on Russia's economic performance.

The parliament also voted to demand that the government dismiss Finance Minister Boris G. Fyodorov, who is regarded as the key proponent of economic reforms in Mr. Yeltsin's cabinet. The vote was 147 to 10.

Mr. Fyodorov has repeatedly warned that if spending is not cut, Russia runs the risk of a hyperinflationary spiral.

"History and our people will not forgive us if such a budget is approved," he said Friday, asking the parliament to back down from approving such a high deficit. He added that the parliament's budget would "demolish the financial system of the country."

Deputy Prime Minister Alexander N. Shokin said at a news conference that the IMF was worried about Russia's economic situation but had not ruled out new funding.

The IMF has urged Russia to halve its budget deficit, currently running about 20 percent of GNP.

Mr. Shokin said the government had hoped to receive a further IMF standby loan by Oct. 1.

But he acknowledged that time was running out, "and the situation is not the best."

Magistrates Warn Top Legal Figure In Italy Scandal

Continued from Page 1

MILAN — The first top legal figure to come under inquiry in Italy's graft scandal has been formally warned that he faces investigation over alleged abuse of office, judicial sources said Friday.

The notification was sent to Diego Curto, vice president of Milan's civil court and head of its commercial division, by magistrates in the neighboring city of Brescia.

Earlier this month the judge was officially listed as a suspect by Milan magistrates in the Edimont inquiry, the single biggest bribery case under investigation.

The Curto case was subsequently placed under the jurisdiction of magistrates in Brescia. The Supreme Magistrates' Council must now decide whether to suspend Mr. Curto as a precautionary measure.

Mr. Curto has accused Milan magistrates, who are at the center of Italy's huge anti-graft drive, of violating his right to secrecy, a move that threatens to open a rift in the judiciary.

TALKS: Weighing the 'Gaza and Jericho First' Plan

for the Foreign Ministry, but only in regard to specific PLO figures mentioned in print.

She left vague the larger question of whether Mr. Peres had held a meeting of any kind with a Palestinian leader while visiting Scandinavia over the past week.

Hanan Ashrawi, spokeswoman for the Palestinian delegation, speaks hopefully about a "new course of events," including the Gaza-Jericho idea, that could breathe life into negotiations that have gone nowhere for two years.

But she plays down prospects for an immediate breakthrough. Other Palestinians and Israeli officials caution that the idea of Gaza-Jericho is still only that: an idea, not a formal proposal on the table.

Moreover, while the plan looms large for the Palestinians, it is only one of several themes forming Mr. Peres' "package deal." Other elements are not new, and agreement on them has eluded negotiators in previous rounds.

Under the basic formula for the talks, the two sides are supposed to focus on creating interim Palestinian self-rule in Gaza and the West Bank over the next five years, while Israel retains ultimate control. The territories' final status — matters like Israeli withdrawal under UN land-for-peace resolutions, and a possible Palestinian state — are to be delayed.

But with the talks seriously stalled and with many Palestinians afraid that an interim stage could drag on for years, negotiators have begun looking for shortcuts.

One idea that the Israelis are promoting hard, dubbed "early empowerment," would hand the Palestinians responsibility almost right away for a range of public services in the territories. But Palestinians view the plan coolly, worrying that it will leave them with routine functions while preserving Israel's military occupation.

Another suggestion, "Gaza first," would rapidly provide Palestinian self-rule in the impoverished coastal strip even while details are still being ironed out for the more complicated and emotionally charged West Bank. (As far as Israel is concerned, Jerusalem's status is not negotiable at all.)

Although offering few details, Israeli officials leave little doubt that their forces would be significantly pulled back from Gaza. The proposal has broad appeal among Israelis who want to get rid of the strip right away, seeing it as a violent anti-Israeli mealworm, strategically insignificant and economically burdensome.

Now, "Gaza first" proposals have turned into "Gaza and Jericho first."

For Mr. Arafat, mired in a PLO leadership crisis but still president of the hoped-for Palestinian state, Jericho would give him a West Bank stronghold and make clear that he will not settle only for Gaza. In return, he has said he is prepared for now to put aside claims to East Jerusalem and demands for an immediate Israeli pullout from the rest of the West Bank.

A senior adviser to Mr. Arafat, Nabil Shaath, said in Cairo Thursday that the PLO leader would move from his Tunis headquarters to Gaza or Jericho — a prospect that would probably deepen Mr. Rabin's skepticism.

PEOPLE OF 58 ACROSS By Tap Osborn

© New York Times

A crossword puzzle grid with clues for 58 across. The clues are listed in two columns: 'ACROSS' and 'DOWN'. The grid is partially filled with letters, and some cells are blacked out.

Boy, 13, Tells of Sexual Acts by Jackson

Continued from Page 1

LOS ANGELES — A 13-year-old boy who claims that Michael Jackson sexually molested him has told the authorities that the entertainer warned the boy there would be trouble if the acts were revealed.

In investigative documents, the boy told a caseworker at the Los Angeles County Department of Children's Services that he and Mr. Jackson had a four-month relationship that started with hugs and kisses and escalated into sexual acts by the singer.

"It really got out of hand," the boy told the caseworker, according to one document.

Mr. Jackson, who has denied any wrongdoing, is in Thailand on a world tour. After a two-day lapse, when his doctors said he was suffering from dehydration, Mr. Jackson returned to the stage Friday night in Bangkok.

in the Los Angeles documents as "totally false."

In another development, police sources said videotapes taken from Mr. Jackson's homes had provided no incriminating evidence.

"There's no medical evidence, no taped evidence, a source said. "The search warrant didn't result in anything that would support a criminal filing."

The allegations by the boy touched off a criminal investigation of Mr. Jackson by the Los Angeles police.

The investigation of Mr. Jackson has been expanded to include his relationship with at least four boys, police sources said.

According to the case files, the 13-year-old boy first met Mr. Jackson in February of a year when the singer's car broke down and he sought help from the boy's stepfather, who runs a rental car company.

The boy discussed the sexual allegations in three hours of sessions with a therapist, Ma-

this Abrams, who immediately reported the situation to the Department of Children's Services and the Los Angeles police as required by law, the documents show.

The caseworker for the Department of Children's Services and two police officers then interviewed the boy, the documents say.

In her report, the caseworker said the therapist "feels the child is telling the truth."

The boy told the therapist that during his relationship with Mr. Jackson the singer called him nearly every day and took him, his mother and stepfather on trips.

Mr. Jackson told the boy on another occasion that "their being together was in the common and meant to be," the report said.

According to the report, Mr. Jackson warned the boy that he would be put in juvenile detention and that Mr. Jackson would get in trouble if their sexual relationship was revealed.

(AP, LAT)

OPINION

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

It's Time for a New U.S.-European Strategic Bargain

By Ronald D. Asmus, Richard L. Kagler and F. Stephen Larrabee

China Is Properly Punished

Clearly and unquestionably, the United States is right to impose sanctions on China for breaking its pledge not to export missile technology...

Americans — costs paid in more than dollars. As for the impact of the sanctions on U.S. trade overall, it is not large...

SANTA MONICA, California — Whether Europe unravels for a third time this century depends on whether the West summons the political will and strategic vision to address the crises of potential instability and conflict before it is too late.

NATO would be transformed from an alliance based on collective defense to one dedicated to projecting stability, democracy and crisis management.

Western Europe's center and periphery. Whereas the potential locus of conflict in Europe in the Cold War was along the old inner-German border...

which is implicitly defined as a vital interest, and Eastern Europe, which is seen as a secondary concern.

The West, too, previously understood this link — as demonstrated with the case of West Germany. That nation might never have become a stable Western democracy had it not been accepted into NATO's fold.

First, conflicts in the area are increasingly generated by antidemocratic and anti-Western ideologies that threaten the liberal-democratic foundations of Western Europe...

zation geographically and find new ways to share responsibilities and burdens. NATO's rationale and mission would be defined anew.

Without French backing to transform NATO, the alliance will crumble. France would then find itself forced to go it alone in a Europe characterized by increasing instability...

Germany must finally resolve the confused debate over its role in Europe and beyond. To be sure, residual

feared concerning German power exist. But only a strong Germany can facilitate European integration and NATO's strategic transformation.

The second step must be a new understanding between the United States and its European allies that harmonizes their interests.

expanding defense cooperation. Such cooperation need not initially imply a full-fledged defense commitment.

ment would give the countries of Central and Eastern Europe the clear perspective they are looking for. And it would provide them time to adapt their military and defense establishments to meet NATO standards.

As it transforms and expands relations with Central and Eastern Europe, the West should also expand its security dialogue with Russia.

The reincorporation of Ukraine into a Russian-led confederation would transform the geopolitical equation in Europe as a whole.

The Sheikh's Indictment

Attorney General Janet Reno surely made a popular call when she approved the indictment of Sheikh Omar Abdel Rahman and 14 others on charges of conspiring "to levy a war of urban terrorism against the United States..."

along has seemed to be the overthrow of secular government in his home country of Egypt, was tried on similar terrorist conspiracy charges more than a decade ago and was acquitted.

Massacre in the Rain Forest

The details remain sketchy, necessarily so. It was only in the 1970s that Brazil's Yanomami Indians came into contact with the modern world...

and his successor, Itamar Franco, the current president, used federal forces to evict wildcat miners from the area. This week, Mr. Franco summoned Brazil's top military leadership to respond to the latest massacre.

Other Comment

A Bright Side for NASA. Hardly anyone in the National Aeronautics and Space Administration would agree, but the apparent failure of its mission in Mars could have beneficial effects in the long run...

Washington — On Nov. 7, 1961, the No. 3 man at the State Department, George Ball, warned President John F. Kennedy against his plan to send a small number of troops to Vietnam...

Confused, Ad Hoc and Unexplained

In a sense, Mr. Kennedy had it easy. Back then, America was fighting the Soviet Union and communism. The foe today is more amorphous, no single entity...

Like Kennedy, Clinton is taking steps overseas without seeming to know just where he is going.

Clinton Does Have a Clear Foreign Policy: Just Ask Butros Ghali

NEW YORK — "What is our purpose?" the Senate minority leader, Bob Dole, asked of the latest U.S. commitment of troops to Somalia...

By Jeane Kirkpatrick. The Clinton administration's foreign policy has been repeatedly described and illustrated by top administration officials. But what they say and what they do are so unfamiliar and unexpected that they are barely heard and even less understood.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: A Grouse Fallacy. LONDON — A paragraph has gone the round of the papers which states that the grouse shooting on the Queen's moors has been postponed until after the arrival of the Court at Balmoral...

1943: Headhunters' Help. THE INDIA-BURMA JUNGLE — [From our New York edition] Eric Sevareid reports: "Burmese jungle headhunters, every one of them a primitive killer, saved our lives when 20 of us leapt by parachute from a crippled U.S. transport plane in the mountains of northern Burma three weeks ago today [Aug. 23]. I am grinding this up on a hand-cranked wireless set dropped to us by one of the rescue planes of the Air Transport Command. We are in the middle of a village of aborigines perched atop one of the 6,000-foot mountains..."

1918: Passing the Baton

PARIS — The President of the Republic on Friday [Aug. 23] handed to Marshal Foch the marshal's staff, which is the symbol of supreme military command. Upon a rich blue (bleu de France) velvet ground blue



The writer's are senior analysts at the Rand Corp. This article was excerpted by The New York Times from an essay in the September-October issue of Foreign Affairs.

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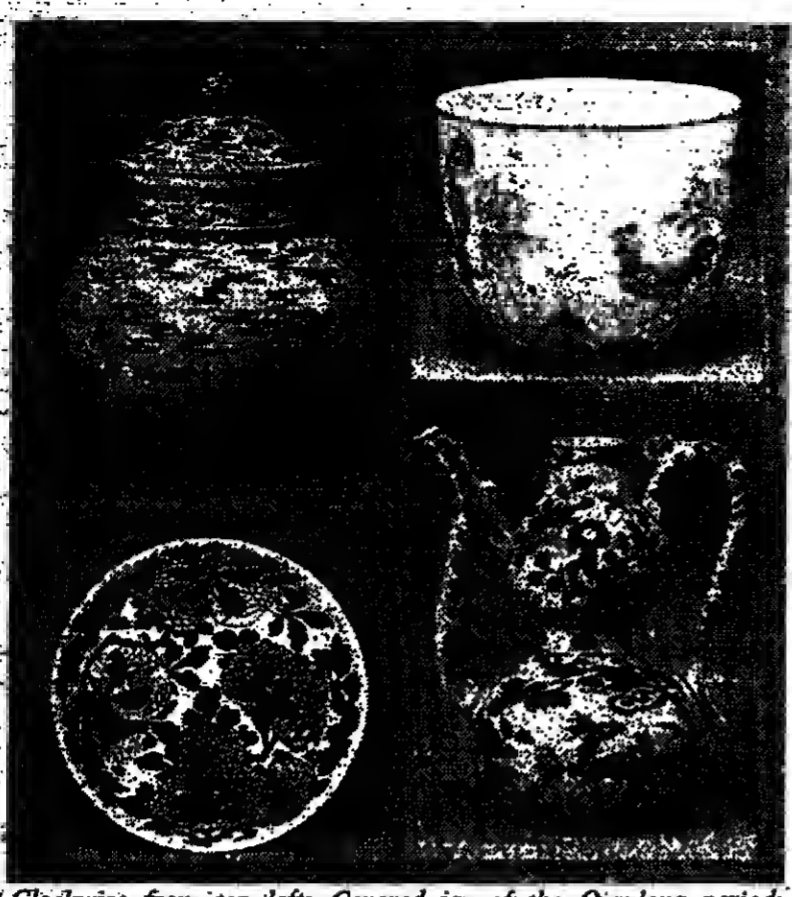
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ART

Saturday-Sunday, August 28-29, 1993 Page 7

A Showcase for Chinese Porcelain

WASHINGTON — The most novel of Far Eastern art exhibitions this year is on view at the Arthur M. Sackler Gallery until Nov. 29. For the first time in the West, a display of Chinese porcelain from the 16th to the early 20th century draws entirely on Chinese private collections.



Clockwise from top left: Covered jar of the Qianlong period; Qianlong cup; Wanli gourd-shaped ewer, and Kangxi dish.

C.P. Lin, a barrister in his 50s, and his wife, Helen, comes out on top. This may have been stimulated by their other interests, particularly contemporary painting from China in the Chinese tradition.

But they also go in for wares that echo their love of painting. A pair of Kangxi dishes with gnarled peach trees and rocks and a pair of Yongzheng cups with bamboo in two shades of green on white play tribute to the Chinese scholar's taste.

A twist is added to the show by Simon Kwan's focus on the 19th century. From a Daoguang (1821-1850) bowl that innovates in its handling of polychromy and shaded colors to a cup molded in the form of a peony, which is dated 1907, and has a vibrant pink color, Kwan's porcelains often strike a jarring, provocative note.

The ultimate tickle is given by a mystery man who is identified only as owning the "Canton collection." This is sparingly represented by a handful of masterpieces in the purest Mandarin tradition, of which the supreme example is a cup with yellow peonies on red ground. Potted like all imperial wares at Jingdezhen, it was enameled at the Beijing palace workshop under Kangxi.

Ko's search for perfection was not incompatible with a love of quirks, well in line with the Chinese scholar's approach. A jar of the Jiaqing period (1796-1820) is painted with the linear underdrawing in blue waiting to be filled with the joined colors. This was never done. Only specks of yellow in one cloud motif betray the intention.

show, the current chairman, Ronald Poon, leaves the reader in no doubt as to the seriousness of the society's purpose. It is to foster connoisseurship, encourage the diffusion of information about art and, not least, stage exhibitions. Founded under the banner of Confucianism, the society links the traditional Mandarin heritage of scholarship and the new Chinese power.

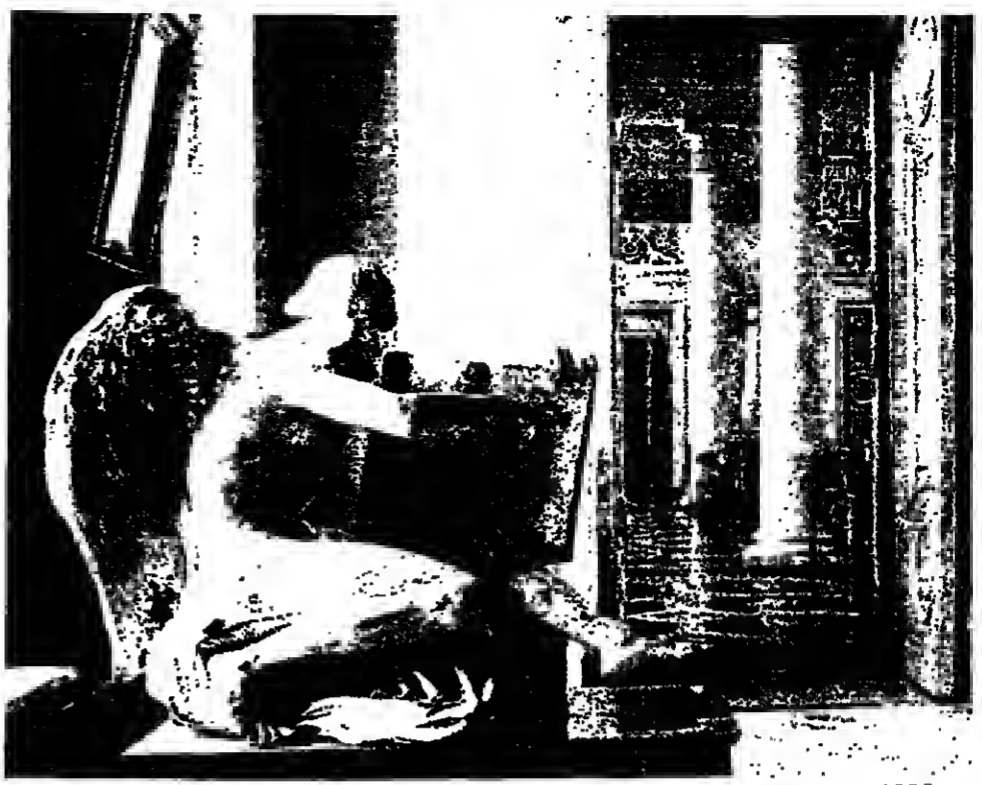
His passion was porcelain. Despite the many calls on his time as chairman of Continental Electrical Industries, Ko, then in his 80s, found the energy in September and October 1990 to take the society members on a study tour of U.S. museums. It included the Sackler. And at Milo Cleveland Beach, the gallery's director, paid a visit to the society, which was celebrating its 30th anniversary in December, in Hong Kong, suddenly, to and he held: "The idea of a loan exhibition from the Min Chin Society to the Sackler Gallery was proposed at that time and received with enthusiasm by S.C. Ko," as Poon deftly puts it in the catalogue.

which has none of the irritants so common in art shows nowadays from the theatrical effects to pompous labeling. The minute one walks in, one is struck by the difference from Western displays of Chinese porcelain covering the same period, roughly 1500 to 1900. The scale is smaller (there are no large vases), the colors are subtle, the patterns complex. The Tamimoun Foundation objects, particularly, are frequently asymmetrical and betray the vision of a collector steeped in the world of scholarly painting.

Two small bowls of the Kangxi period (1622-1722) are painted with a scene showing the immortal Zhang Qian riding a raft made from a bough. On the other side a crane is waded in the air over sinuous waves, heading for a solitary rock. The underdrawing in blue over which colors are sparingly applied — this is the doucai, the joined colors technique, identified by Cort and Stuart from Chinese sources, that gives its cryptic title to the show — irresistibly calls to mind thin lines in ink on paper or silk as in scroll painting. Ko loved tree branches crisscrossing a

white ground. On a rare Kangxi dish, a branch of tangerine and another of pomegranate, with outlines in black and black dots as if applied with the tip of a brush on some colored areas, again call to mind the painter's approach, even though no painting ever remotely resembles this. Underneath, an incised design of a dragon amid clouds runs through the painted motif, barely visible, like some faintly remembered counterpoint, giving it a unique effect. All this is purposeful, Stuart points out — the dragon as an imperial symbol, the fruits as wishes thus implicitly addressed to the emperor as the viewer.

For unconventionally choice, however, the collection formed over many years by



St. Petersburg's Mikhailovsky Palace, home of the Russian Museum since 1898.

St. Petersburg Palace Coup

By John Russell New York Times Service

ST. PETERSBURG — Just about every major museum in the world has lately been in the "business of expansion. But the jackpot in this context has surely been won by the Russian Museum here. Although it has been housed since 1898 in the Mikhailovsky Palace, one of the largest and most beautiful palaces in the city, it has since the fall of the Communist regime in 1991 been allocated no less than three more of the most striking buildings: the Marble Palace, the Engineer's Castle and the Stroganov Palace.

These extensions represent a considerable coup for the director of the museum, Vladimir Gusev. Gusev had two very important things going for him: One was the backing of the strong-willed mayor of St. Petersburg, Anatoli Sobchak. The other was the fact that, with the political changes, palace after palace throughout the city was going to be released from former uses.

coverage of the Diaghilev ballet in the glory days of its foundation, before 1914. The famous portrait of Sergei Diaghilev by Leon Bakst, his inspired stage designer, might alone have made their trip. Given this superabundance of materials, what could be more natural than to distribute the collections among buildings that were worthy of them? Sobchak was eager to give a new shine to the ancient image of his city. So he and Gusev went to work.

Gusev's first conspicuous success was with the Marble Palace, which since 1937 had housed the Lenin Museum. For that reason, it was in good shape at the outset, and Gusev lost no time in turning it into what is, in effect, a national portrait gallery.

Catherine the Great, to foil any potential assassin. All precautions were useless, however, and in 1801 Paul I was found in bed, strangled with a scarf and with his head beaten in with a paperweight. After that, family feuds were few. In 1923, a military engineering academy moved in. More recent tenants did not feel disposed to vacate it on demand. But once that matter has been settled, Gusev said, the Engineer's Castle will be turned into a walk-through history of Russia, illustrated with Russian art.

In the Stroganov Palace, before 1917, murder and paranoia played out part. Architecturally, it touches perfection. Long years of occupation by a clandestine department during the Soviet years left the house in terrible shape, but it is being rebuilt, room by room, at whatever pace the budget makes possible.

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Where Landscape and Art Become Engineers

By Herbert Muschamp New York Times Service

PHOENIX — In Phoenix, the old order has fallen by the wayside. In this vibrantly adolescent city, where people dine al fresco in shopping malls beneath clouds of mechanically created mist, a fertile new vision is reshaping the land and the roads that pass through it.



One of Mags Harries's sculptures in Phoenix.

Highway and landscape have begun to enter into a new civic partnership, one that fuses their traditional roles. Roads, crisscrossed with landscape and art, have become empathetic. Land has begun to function as an engineer, a force from which the city's builders take their cues.

The catalyst has been art. Or, more accurately, the Phoenix Arts Commission and its director, Deborah Whitehurst. Together with Gretchen Freeman, director of the city's public art program, Whitehurst has turned public art into something worthy of the legendary WPA. Like many other American cities, Phoenix has adopted legislation for art legislation, which specifies that a portion of the budget for government-sponsored buildings must be set aside for art.

forms from motifs found in archaeological remains of the Hohokam civilization (the name translates as "all used up") that flourished here for 1,600 years. And at Thomas Road Overpass it is as if this vanished pre-Columbian people has reached up from the earth to channel the traffic through the modern city.

With its newest public art project, the Phoenix Solid Waste Management Center, the program has moved out of the realm of metaphor and begun to alter reality. The \$18 million transfer facility is the true modern Hohokam, the citadel of "all used up." Here, newspapers, soda cans, pizza boxes, party bote and toaster ovens mass together in an automated orgy of discarded plenty.

THE brilliant leap that set this plan in motion came with the recognition that this was precisely the kind of place that needed to be brought into the public realm. Joining Whitehurst and Freeman in making that leap was Ron Jensen, director of the Phoenix Department of Public Works.

come one. The mound of earth-covered trash conveys a similar message about the longing of industrial society for an arcadian escape.

As in the original scheme, the center's most conspicuous feature is a spare horizontal shed, but its utilitarian forms have been shaped toward more poetic purpose. Walls of gray cement block rise in shallow tiers planted with desert vegetation.

Meanwhile, the mandate of the Russian Museum had been to cover the whole of Russian art from the icons of the 12th century to the art of the early 20th century. (It also possessed, under lock and key, later art that was proscribed by the Soviet regime.) There was far more in its collections than could possibly be shown even in the enormous Mikhailovsky Palace.

BOOKS

WHOREDOM IN KIMMAGE: Irish Women Coming of Age By Rosemary Mahoney. 307 pages. \$21.95. Houghton Mifflin.

IN 1991, Rosemary Mahoney spent 10 months in Ireland, six living in a drab apartment in Dublin, four in a restored 15th-century castle in the tiny Clonsilla village of Corofin. The writer, whose 1990 book on China, "The Early Arrival of Dreams," was widely praised, comes from a Boston Irish family and attended school in Ireland for a year in the late '70s. Her return was inspired, she says, by the new visibility of Irish women: Sinead O'Connor on the cover of American magazines, Mary Robinson in the presidency, Mahoney went back to Ireland "to learn more about [its] women and to write about them."

is a cheerer. But when she puts on her journalist/sociologist cap and takes out her tape recorder, the results, though earnest and informative, read like dozens of other journalistic interviews.

At the end of the book, Mahoney writes about an evening in Dillon's pub in Corofin, a whole world come to life. The guarded faces of the regulars, the smells of stale beer and coal smoke, the jackets and caps left on despite the warmth of the fire, the ancient quarrels, the sly, drunken discourse, the language both profane and poetic, and the gradual shifting of roles (and seats) occasioned by the disarming but welcome presence of a lone female Yank.

The forms and rituals of Catholicism remain "embedded deep in the Irish mind," she observes.

The other great traditional influence on Irish life, though Mahoney does not label it as such, is drink. "Strange events occurred in Dublin when the pubs let out," she writes in a memorable passage. "I witnessed, at different times, a group of people hoisting a body like a rolled-up carpet into the back of a tiny car; a slack-jawed, glassy-eyed face pressed against the inside of a storefront window; a man in a tuxedo peacefully asleep in the doorway of the Bank of Ireland. . . . In groups of three and four, people strolled, arms slung around each other's shoulders. And every night at half past 12 the streets were festooned with empty glasses placed on curbsides, doorsteps, and windowsills. They were placed with

great care, as though the people who put them there didn't want them to break."

Valuable though Mahoney's observations on the long suppression and recent awakening of Irish women can be, she is above all a sharp observer and a wonderful storyteller. In the end the reader is left hanging for more stories about the people of Corofin and about the Yank living along there. In a never explained episode, someone changes the padlock on Mahoney's castle door while she is out one evening. The ensuing interview with police Sergeant Kavanagh is worthy of Flann O'Brien. But we want to know much more about the mysterious lock and to savor the reactions of the regulars at Dillon's pub.

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NYSE

Friday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Symbol	High	Low	Open	Close	Change
IBM	115 1/4	114 3/4	115 1/4	115 1/4	+1/4
MSFT	41 1/4	41 1/4	41 1/4	41 1/4	+1/4
ORCL	31 1/4	31 1/4	31 1/4	31 1/4	+1/4
INTL	11 1/4	11 1/4	11 1/4	11 1/4	+1/4
DISC	21 1/4	21 1/4	21 1/4	21 1/4	+1/4
WALD	11 1/4	11 1/4	11 1/4	11 1/4	+1/4
AMZN	11 1/4	11 1/4	11 1/4	11 1/4	+1/4
GOOG	11 1/4	11 1/4	11 1/4	11 1/4	+1/4
MSFT	41 1/4	41 1/4	41 1/4	41 1/4	+1/4
ORCL	31 1/4	31 1/4	31 1/4	31 1/4	+1/4
INTL	11 1/4	11 1/4	11 1/4	11 1/4	+1/4
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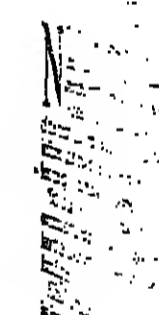
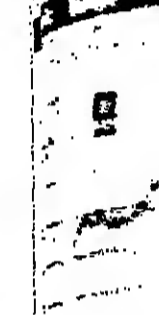
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GOOG	11 1/4	11 1/4	11 1/4	11 1/4	+1/4



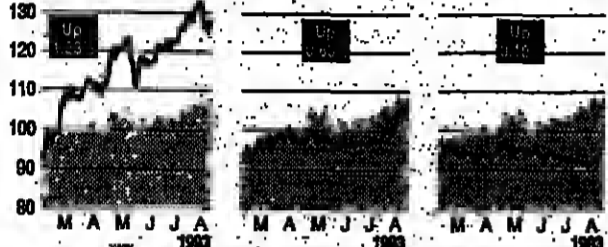
THE TRIB INDEX: 108.51

International Herald Tribune World Stock Index is composed of 230 internationally investable stocks from 20 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Region	Approx. Weighting	Approx. Pct. Change
Asia/Pacific	25%	+0.2%
Europe	40%	+0.1%
N. America	35%	+0.2%



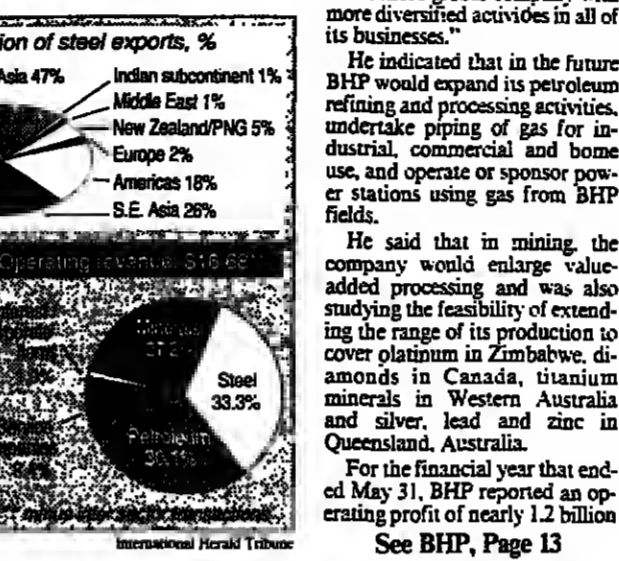
Industry	Pct. Change	Industry	Pct. Change
Energy	+0.4%	Capital Goods	+0.2%
Utilities	+0.8%	Raw Materials	+0.2%
Finance	+1.1%	Consumer Goods	+0.5%
Services	+0.8%	Miscellaneous	-0.5%

BHP Looks Offshore for Growth

Vietnam Oil Project Signals Broadened Horizons

By Michael Richardson
International Herald Tribune
MELBOURNE — Extensive drilling started recently by Broken Hill Proprietary Co. in the Gulf of Thailand off the coast of Vietnam has signaled that Australia's largest company is embarking on an aggressive international expansion program.
BHP executives say that the company will spend \$3.4 billion over the next six or seven years to develop the Dai Hung oil field and other large projects in Asia, Australia, Europe, North and South America and Africa.
Those projects include new oil and gas fields in Australia, Britain, the Netherlands, Papua New Guinea and Argentina, a major platinum mine in Zimbabwe, and large-scale expansion of mining of copper in Chile, coal in Australia and Indonesia, gold in Mali and iron ore in Australia.
The aim is to provide the steel and resources conglomerate, which ranks 104th on the Fortune 500 list of the world's leading companies in terms of profitability, with a strong base for growth in the 21st century.
In an interview, John B. Prescott, BHP's managing director

and chief executive, outlined an expansion plan in the year 2010 that is likely to include building a series of mini-steel mills in East Asia and the United States to take advantage of growth opportunities and avoid protectionist barriers.
Following complaints by American steel producers, the United States recently imposed anti-dumping duties on imports of corrosion-resistant steel made by BHP in Australia. Steel imports into the United States from more than a dozen other countries were also hit by the imposition.
"If we want to grow our steel business, we will have to do it offshore," Mr. Prescott said.
BHP's main assets are worth some \$24 billion dollars. About 70 percent are located in Australia, where the company's steel and mining operations began late last century.



VW Sweep Nets A Mass of Data For Prosecutors

Compiled by Our Staff From Dispatches
FRANKFURT — German prosecutors investigating allegations of industrial spying at Volkswagen AG said Friday they had seized a large amount of documents and computer material in a search of VW offices.
A separate controversy broke out on Friday over an alleged leak of the prosecutors' plans for the search and a demand by two men for money from VW in exchange for a tip-off.
The prosecutors in Darmstadt, which is 20 miles (30 kilometers) from Frankfurt, said in a statement: "Business papers in large quantities were taken into possession, and in addition a large number of data carriers (diskettes and between 20 and 30 stand-alone personal computers, including laptops)."
The statement said it would take a long time to evaluate the documents seized because of their complexity.
Some 40 police officers, including computer specialists from the state criminal investigation agencies, have taken part in the searches, which included the offices and the private residence of José Ignacio López de Arriortúa, the Volkswagen production chief whose defection to VW from General Motors Corp. this year sparked the allegations of industrial espionage.
VW said the search had extended into Friday.
The prosecutors have since May been looking into claims that Mr. López and other former GM managers took confidential documents with them when they moved to VW.
The prosecutors had already found four boxes of documents belonging to GM and its Adam Opel subsidiary in June at an apartment in Wiesbaden occupied by two former Opel employees now at VW.
But recent German media reports have also claimed that VW staff had copied Opel papers on to VW computers.
Despite the attempt to tip off Volkswagen, investigators said the company was apparently kept in the dark about the searches until the moment they were launched.
Volkswagen said it had alerted investigators on Tuesday after getting a telephone call from someone offering "hot information" in ex-

change for 500,000 Deutsche marks (\$300,000).
"We immediately informed Wolfsburg police," said Otto-Ferdinand Wachs, a VW spokesman. Volkswagen told the caller the money would be delivered at an autobahn rest stop near Wolfsburg, where police arrested the duo late Tuesday night, Mr. Wachs said.
The Hannoverische Allgemeine Zeitung newspaper said the two men, who came from the red-light area of Frankfurt, had learned of the plans for the searches from Hesse state police at a shooting club.
The police said the two men had been released. (Reuters, AP)

Stocks Jump To Records In Europe

Compiled by Our Staff From Dispatches
LONDON — European equities ended Friday at or within sight of record highs, spurred on by renewed hopes of noninflationary growth.
Paris and London stocks were particularly strong, after setting records Thursday. The Financial Times-Stock Exchange 100-share index surged 21.4 points in a record of 3,100.6. French stocks also extended their bull run, with the CAC-40 index gaining 10.27 points to a record 2,183.88.
Milan shares also set a record. The MIB index jumped 8 points to a record 1,379. Analysts said the Bank of Italy was likely to cut rates next month, despite the Bundesbank's decision Thursday to leave rates unchanged.
Germany's DAX index gained 3.45 points to 1,904.60 helped by a firm Deutsche mark and strong bonds.
The European component of the International Herald Tribune World Stock Index rose 0.60 percent to 105.64. (Knight-Ridder, Bloomberg)

Easing Likely of Computer Export Curbs

By John Markoff
New York Times Service
NEW YORK — In a review that is likely to lead to substantial liberalization in the control of computer exports, the U.S. Commerce Department has found machines widely available internationally that are five times as powerful as the current international export limits.
The report, released Thursday, came just a day after the administration banned some technology exports to China for violations of an international arms-control agreement.
The finding, which was made by the Bureau of Export Administration, will probably mean the removal of special licensing controls by an international alliance on the export of computers that exceed the performance level of single-processor systems based on Intel Corp.'s new Pentium and Texas Instruments Inc.'s Super-spark microprocessors.
However, U.S. industry representatives said that the department's examination of computer

makers in nations not members of the 17-nation Coordinating Committee for Multilateral Export Controls, or COCOM, was too narrow and avoided considering more powerful computers that were about to be introduced or already available.
"This finding is certainly a step forward," said Deborah Waggoner, an expert on export control issues at the American Electronics Association in Washington. "But there is still a lot of fundamental reform that has to occur."
The association said its own research showed that machines exceeding the Commerce Department's performance study were available in India, China, Taiwan and South Korea.
U.S. computer makers have for years chafed under export-control licensing procedures that they say handicap them in competing with other countries. According to the Commerce Department, U.S. computer companies in 1992 filed for 8,700 export licenses, worth \$10.2 billion.
Currently, computers must have special licenses to be exported if they are capable of performing 12.5 million theoretical operations a second, or 12.5 MTOPS. But the Commerce Department study found computers available with capabilities up to 67 MTOPS.
The American Electronics Association said its study had found computers available that reached 210 MTOPS.
However, a Commerce Department official said that the agency had carefully followed the guidelines of the Export Administration Act in preparing its review.
"We have a great deal of sympathy" with the industry's position, Steven Goldman, director of the department's office of foreign availability, said. But, he added, "we aren't allowed to look at all at this issue of prospective market availability."
Under the U.S. law, the government will notify the other COCOM nations of its finding.

ECONOMIC SCENE

India Cuts the Red Tape Tying Up Its Economy

By Peter Pissell
New York Times Service
NEW YORK — The economy underperformed for decades, hobbled by government planners whose careers depended on the continuing worship of false prophets. National savings rates had always been high. But much of the money had been squandered on subsidies for hopelessly inefficient state monopolies and grandiose public investments to feed the egos of bureaucrats and generals.
"Only in the 1980s, after the contrast with Asian and Western economic growth became too obvious to ignore, did the ruling elite look to the outside world for the ideas and technology to rescue it from disaster."
Michael S. Gorbach's fading empire? No, the India inherited by Prime Minister P.V. Narasimha Rao, which has embarked on a radical transformation from the suffocating state paternalism embraced by its founders to Western-style capitalism.
The prospects are good, argues Jagdish Bhagwati, an economist at Columbia University. In a report commissioned by India's Finance Ministry, he and T.N. Srinivasan, another Indian expatriate who teaches at Yale University, conclude that the world's most populous democracy is well along the runway to an economic takeoff.
In 1960, the income of the average Indian bought roughly the same survival ration as the income of the average Chinese, and only a bit less than the average South Korean. Today, the average Chinese wage pays half again as much as the average Indian's. And the South Koreans have entered a different orbit, earning seven times as much.
What happened? Mr. Bhagwati sees it as a cautionary tale about economic fatalities. "Unlike the Soviets, Indians were not prisoners of the dictatorship of the proletariat. But they were effectively trapped by another failed experiment: belief in central planning and self-sufficiency, largely inherited from British social democrats.
Key industries were all state monopolies, and the production of virtually everything else that required modern machinery was rigidly controlled by government licenses. That's a maker of, say, toothpaste needed permission to fill more tubes or even to change the mix between peppermint and cinnamon flavors.
Imports were tightly restricted to reduce competition for domestic monopolies. Exports were viewed with malignant indifference, a diversion from the noble effort of pulling the nation up by its socks. In 1991, sales of merchandise abroad amounted to just \$17 billion, one-fourth as much as China's and no more than Portugal's.
Thanks to savings rates of more than 20 percent and a principled

After the Acquisition: Lost in Space, Besieged on Earth

Sony Snags the Wrong Starring Roles

By Alan Citron
Los Angeles Times Service
LOS ANGELES — The most popular soap opera in Hollywood these days isn't "Days of Our Lives" or any of the other popular American titles.
It's called Sony Corp. of America, and it boasts a dream cast: Michael Jackson, Heidi Fleiss, Woody Allen, Arnold Schwarzenegger and others too numerous to mention.
Those following the serial have been spellbound by the unexpected plot twists. Seldom has any company become so mired in melodrama as Sony, which merely hoped to make a few bucks when it got into the entertainment business by buying CBS Records and Sony Pictures Entertainment.
"Suppose you owned those companies and went through the last few months," one top Hollywood executive said. "Everything that can go wrong has. It's like Murphy's law."
A police investigation this week into accusations of child molestation against Mr. Jackson, by far the biggest star in Sony's constellation, comes with the New York-based division of Japan's Sony Corp. still reeling from unsubstantiated reports linking Columbia Pictures to the alleged Hollywood madam Heidi Fleiss.
Before that, industry gossip centered on Columbia's summer film "Last Action Hero," the costly Schwarzenegger opus that was ravaged by critics and ignored by many moviegoers. And before that, everyone was talking about Woody Allen, accused by Mia Farrow of having molested their child just as Sony's TriStar Pictures division was preparing to release his movie "Husbands and Wives." Mr. Allen was later cleared of the accusation.
The string of problems has overshadowed positive events such as the chart-topping debut of Billy Joel's "River of Dreams," the box-office success of "In the

Line of Fire" and "Sleepless in Seattle" and the unusually good terms Sony extracted for the sale of its 44 percent stake in Castle Rock Entertainment.
Sony executives declined comment on Mr. Jackson, but sources say the top executives are not taking part in crisis meetings concerning the superstar. That may be because most of them are away on vacation.
Financially too, Sony Corp. has had its troubles, with net income plunging 48.5 percent to \$71.9 million for the quarter ended June 30, partly because the rise of the yen made its products too costly in many markets.
It may be weeks before the full impact of the Jackson case on Sony is known. Those close to the performer insist he would not do anything to jeopardize his career, which he has managed with a keen business eye. But even they were troubled by news on Thursday that police were focusing on possible relations with four youngsters.
Those disclosures are all the more troubling for Sony because Mr. Jackson is not only its biggest star but also a symbol closely tied to the company. Among his fans in Japan, he is practically a deity.
People with experience managing big companies say Sony's image may take an even bigger beating than its bottom line, especially with the Sony name so well known.
"This is a public company," said one executive. "But more important than that, it's a brand-name consumer product. So it's a giant deal. You can't have Sony's name constantly bandied about in this way without it suffering some damage."
On the other hand, one source said, Mr. Jackson's sales may actually go up, if his name is cleared. Another said no one pays any attention in what label he records for anyway.

Martin Marietta's Cosmic Breakdown

By John Mintz
Washington Post Service
WASHINGTON — Five months ago, when it bought GE Aerospace for \$3 billion, Martin Marietta Corp. was widely praised as brilliant and forward-thinking.
Now, some are calling it other things.
The GE Aerospace factories that recently became part of Martin Marietta that became lost in space in the last week — the \$1 billion Mars Observer and a \$100 million weather satellite. Those headline-grabbing breakdowns followed the explosion on Aug. 2 of a Martin Marietta Titan 4 rocket less than two minutes after it was launched from a base in California.
"This is a real management and image problem for Martin Marietta," said Jerry Grey, director of aerospace and science policy for the private American Institute of Aeronautics and Astronautics.
"It requires some careful re-examination" by the company's chairman and chief executive officer, Norman R. Augustine, Mr. Grey said. "There's no question Congress will have a bunch of things to talk about" with the company and the space agency.
The financial impact on the company will not be known until the causes of the accidents have been determined, but all three contracts contained incentive and penalty clauses.
"There are points in the middle of the night when I say, 'Why us? Why three Martin?'" said Noel W. Hinner, chief scientist with the company's astrophysics division in Denver and a former top official of the National Aeronautics and Space Administration.
"We've wanted so long to get back on Mars," he said, recalling the successful Mars missions in 1976 by the company's Viking spacecraft. "It's devastating," he said. "It's almost like mourning."

CURRENCY & INTEREST RATES

Cross Rates	Aug. 27
Australia	1.00 82.00 1.25
Canada	1.00 75.00 1.32
France	1.00 6.56 1.54
Germany	1.00 1.63 61.93
Italy	1.00 1.36 73.64
Japan	1.00 148.00 6.76
UK	1.00 1.78 56.46
Spain	1.00 166.00 6.16
Sweden	1.00 136.00 6.00
Switzerland	1.00 1.48 67.56
Taiwan	1.00 20.00 49.60
Thailand	1.00 25.00 39.60
US Dollar	1.00 100.00 100.00

Eurocurrency Deposits	Aug. 27
1 month 3 1/2-4 1/2	4 1/2-7
3 months 3 3/4-4 3/4	4 3/4-7 1/2
6 months 3 1/2-4 1/4	4 1/4-6 3/4
1 year 3 1/4-4 1/4	4 1/4-6 1/4

Key Money Rates	Aug. 27
Discount rate	3.00
Federal funds	4.00
Prime rate	5.00
3-month T-bill	5.75
6-month T-bill	6.00
9-month T-bill	6.25
1-year T-bill	6.50

Other Dollar Values	Aug. 27
Australia	1.00 82.00 1.25
Canada	1.00 75.00 1.32
France	1.00 6.56 1.54
Germany	1.00 1.63 61.93
Italy	1.00 1.36 73.64
Japan	1.00 148.00 6.76
UK	1.00 1.78 56.46
Spain	1.00 166.00 6.16
Sweden	1.00 136.00 6.00
Switzerland	1.00 1.48 67.56
Taiwan	1.00 20.00 49.60
Thailand	1.00 25.00 39.60
US Dollar	1.00 100.00 100.00

GM Sells Group Lotus To Bugatti of Italy

Bloomington Business News
DETROIT — General Motors Corp. said Friday that it had sold its Group Lotus subsidiary and Lotus Cars U.S.A. to the Italian automaker Bugatti International for an undisclosed sum.
GM declined to say if the sale, which came after about six months of negotiations, had made it a profit. GM had bought the British company in 1986 for about \$32 million.
GM used Lotus' engineering expertise for its Adam Opel subsidiary in Germany and its North American vehicle operations, a GM spokesman said.
Bugatti is owned by private investors.
GM confirmed that it had been approached by several concerns since late last year that had expressed interest in the company, including a group

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MARKET DIARY

Bond Pullback Lets Air Out of Stocks

NEW YORK — U.S. stocks slipped Friday as a slide in bond prices prompted investors to cash in on the market's gains from its record-setting August rally.

The Dow Jones industrial average fell 0.66 to 534.09, after Thursday's record close of 534.75. Southern Co. fell 1/4 to 44, Texas Utilities fell 1/4 to 49, and Pacific Gas & Electric lost 1/4 to 36.

Richard Ciardullo, head trader at Eagle Asset Management, said that against a backdrop of low interest rates, sluggish economic growth and rising corporate earnings, Friday's drop in share prices will be viewed by most traders as a mere pause after August's "super run" for stocks.

American Telephone & Telegraph leaped 2 to 62 1/2, and Tele-Communications, the nation's biggest cable-systems operator, gained 1 1/2 to 25 1/2. The stocks are higher amid optimism about the outlook for cable television companies.

AT&T, which recently agreed to acquire McCaw Cellular Communications Inc. for \$1.6 billion, is talking with U.S. cable companies about linking their customers into one big multimedia network, according to a published report.

The bellwether 30-year Treasury bond, which had surged 1 1/32 points Thursday to yield a record low 6.09 percent, was down 1/32 Friday. The issue's yield moved back up to 6.13 percent.

Traders said it seemed natural for the bond market to experience profit-taking after the latest stage of its five-week rally.

The day's rise in interest rates made the returns of stocks relatively less attractive than fixed-income securities. This was particularly true for stocks like electric utilities and financial services, which pay above-average dividends.

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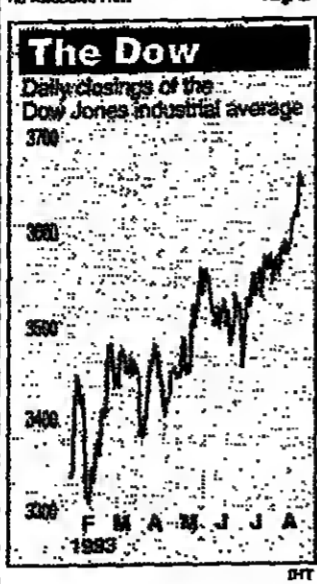


Table with columns: NYSE Most Active, Vol., High, Low, Last, Chg. Lists top trading stocks like American Telephone & Telegraph, Tele-Communications, and AT&T.

Table with columns: AMEX Most Active, Vol., High, Low, Last, Chg. Lists top trading stocks on the AMEX exchange.

Table with columns: NYSE Diary, Adv., Decl., Unch., Total Issues, New Issues. Shows market activity for the NYSE.

Table with columns: Amex Diary, Adv., Decl., Unch., Total Issues, New Issues. Shows market activity for the AMEX exchange.

Table with columns: NASDAQ Diary, Adv., Decl., Unch., Total Issues, New Issues. Shows market activity for the NASDAQ exchange.

Table with columns: Dow Jones Averages, Index, Open, High, Low, Close, Chg. Lists various market indices.

Table with columns: Standard & Poor's Indexes, Index, High, Low, Close, Chg. Lists S&P index components.

Table with columns: NYSE Indexes, Index, High, Low, Close, Chg. Lists NYSE index components.

Table with columns: NASDAQ Indexes, Index, High, Low, Close, Chg. Lists NASDAQ index components.

Table with columns: AMEX Stock Index, Index, High, Low, Close, Chg. Lists AMEX stock index.

Table with columns: Dow Jones Bond Averages, Index, Close, Chg. Lists bond market averages.

Table with columns: Market Sales, NYSE 4 a.m. volume, NYSE 9:30 a.m. close, AMEX 4 a.m. volume, NASDAQ 4 a.m. volume, NASDAQ 9:30 a.m. volume.

Table with columns: N.Y.S.E. Odd-Lot Trading, Buy, Sell, Price, Volume. Shows odd-lot trading data.

Table with columns: S&P 100 Index Options, Price, Bid, Ask, Volume. Shows S&P 100 index options data.

Table with columns: NYSE Diary, Adv., Decl., Unch., Total Issues, New Issues. Shows market activity for the NYSE.

Table with columns: Amex Diary, Adv., Decl., Unch., Total Issues, New Issues. Shows market activity for the AMEX exchange.

Table with columns: NASDAQ Diary, Adv., Decl., Unch., Total Issues, New Issues. Shows market activity for the NASDAQ exchange.

EUROPEAN FUTURES

Table with columns: Food, High, Low, Close, Chg. Lists food futures prices.

Table with columns: Metals, High, Low, Close, Chg. Lists metal futures prices.

Table with columns: Financial, High, Low, Close, Chg. Lists financial futures prices.

Table with columns: Industrial, High, Low, Close, Chg. Lists industrial futures prices.

Table with columns: Grain, High, Low, Close, Chg. Lists grain futures prices.

Table with columns: Soybean, High, Low, Close, Chg. Lists soybean futures prices.

Table with columns: Soybean Meal, High, Low, Close, Chg. Lists soybean meal futures prices.

Table with columns: Soybean Oil, High, Low, Close, Chg. Lists soybean oil futures prices.

Table with columns: Live Stock, High, Low, Close, Chg. Lists livestock futures prices.

Table with columns: Cattle, High, Low, Close, Chg. Lists cattle futures prices.

Table with columns: Hogs, High, Low, Close, Chg. Lists hogs futures prices.

Table with columns: Pigs, High, Low, Close, Chg. Lists pigs futures prices.

U.S. FUTURES

Table with columns: Wheat, High, Low, Close, Chg. Lists wheat futures prices.

Table with columns: Corn, High, Low, Close, Chg. Lists corn futures prices.

Table with columns: Soybeans, High, Low, Close, Chg. Lists soybean futures prices.

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Table with columns: Hogs, High, Low, Close, Chg. Lists hogs futures prices.

Table with columns: Pigs, High, Low, Close, Chg. Lists pigs futures prices.

Table with columns: Sheep, High, Low, Close, Chg. Lists sheep futures prices.

Table with columns: Goats, High, Low, Close, Chg. Lists goats futures prices.

Table with columns: Poultry, High, Low, Close, Chg. Lists poultry futures prices.

A Plan to Block NAFTA

WASHINGTON (NYT) — In a blow to President Bill Clinton and the prospects for the North American Free Trade Agreement, the Democratic whip of the House of Representatives said that he will use the resources of the whip's office to oppose the pact.

Representative David E. Bonior of Michigan, who is the Majority Whip and the third-ranking Democrat in the House, said in a telephone interview late Thursday that he planned to use the staff, computers and office space of the whip's office to organize the opposition. His decision is the latest step in an unusually public revolt against the administration by a House Democratic leadership that is deeply divided on the merits of the free-trade pact.

Mr. Bonior said that the absence of a Democratic consensus left him free to use the whip's office however he chose. "There's no official position in our caucus here—we're free to do what we want," he said. "I feel very strongly that this is not in the interest of workers, either American or Mexican."

The whip's office is technically under the control of Speaker Thomas S. Foley and the White House said Friday that it expected the House leadership to remain neutral.

FBI Probe Hits National Medical

SANTA MONICA, California (Bloomberg) — National Medical Enterprises Inc. shares fell as much as 30 percent Friday after federal agents searched its facilities in a criminal investigation of its billing practices.

National Medical Enterprises shares plunged \$3.25 to close at \$7.875 on the New York Stock Exchange.

Federal agents searched several of the company's offices and hospitals on Thursday in a nationwide investigation of billing practices at its psychiatric facilities. More than 50 agents served a search warrant at the company's four-story headquarters in Santa Monica, California.

Medicaid Fraud Inquiry Widens

WASHINGTON (Bloomberg) — A federal probe into abuses of Medicare and Medicaid claims widened Friday, as three companies provide medical tests to doctors said they had been subpoenaed.

SmithKline Beecham Clinical Laboratories, in Philadelphia; Unilab Corp., in Hackensack, New Jersey; and MedPath, a unit of Corning Inc. in Corning, New York, said they received subpoenas from the U.S. Department of Health and Human Services. On Thursday, Allied Clinical Laboratories Inc., in Nashville, Tennessee, and Nichols Institute, in San Juan Capistrano, California, said they were told to expect subpoenas.

Investigators are seeking information about possible false or improper Medicare and Medicaid claims in the \$32 billion of tests that American doctors order annually.

Chrysler Makes an Offer to UAW

HIGHLAND PARK, Michigan (AP) — Chrysler Corp. gave the United Auto Workers its opening contract proposal Friday as the union neared a self-imposed deadline for selecting one of the Big Three automakers for pattern-setting talks.

Tom Gallagher, Chrysler's vice president of employee relations, said the offer provided "the base for a workable agreement." But Stan Marshall, a UAW vice president, said Chrysler's proposal left too little to work with in bargaining.

Chrysler's offer included new copayment requirements for health care and a longer timetable for new hires to reach pay scales used for current workers.

For the Record

Prudential Insurance Co. of America said it would cut about 500 of the 4,700 jobs in the Minneapolis-St. Paul area by 1995 as part of reorganization of its regional group health-insurance operations. (Bloomberg)

Northern Telecom Ltd.'s long-term senior debt rating was lowered to A2 from A-3 by Moody's Investors Service. About \$1.6 billion of debt is affected by the downgrade. (AFX)

The Dollar's Decline Resumes Against Yen

Bloomberg Business News NEW YORK — The dollar fell Friday against the yen amid sales by U.S. investors and Japanese exporters, traders said.

The dollar closed at 103.80 yen, down from 104.35 yen on Thursday. Some investors sold the dollar to

test the Federal Reserve's resolve to defend the U.S. currency, traders said. The Fed repeatedly bought dollars with yen on Aug. 19 to prop up the dollar two days after it hit a postwar low of 100.35 yen.

Speculation that the Bank of Japan was mulling a cut in its discount rate and dollar sales by U.S. investment banks undermined the dollar on Friday, said Brian Dolan, trader at Dai-ichi Kangyo Bank.

"The market is getting a little bit more comfortable selling the dollar against the yen," he said.

Japanese exporters also sold dollars in Asian trading in a continuing effort to convert their overseas earnings into yen, traders said.

Meanwhile, the dollar ended little changed against the Deutsche mark, at 1.6640 DM after 1.6653 on Thursday, though it may decline further next week, traders said.

"With the weak orders in the U.S. and the lack of rate cuts in Europe, the dollar will be a little softer," said Earl Johnson, vice president at Harris-Nesbitt Thomson Securities Inc.

The Bundesbank surprised many people Thursday when it did not cut German interest rates at its first meeting in a month.

And more evidence that the U.S. economy remains sluggish will probably arrive next week, with revised data on second-quarter gross domestic product and the unemployment report for August.

Against other currencies, the dollar fell Friday to 5.8255 French francs from 5.8345 on Thursday and to 1.4685 Swiss francs from 1.4697. But the pound slipped against the dollar, to \$1.5050 from \$1.5100.

Devaluation by Poland Poland's central bank devalued the zloty by about 8 percent against a basket of five currencies Friday and by 7 percent against the dollar, Reuters reported from Warsaw, to try to boost exports and reduce a \$1.1 billion trade deficit.

Western and Polish economists said the move was expected to increase inflation slightly but was unlikely to do much damage to Poland's generally encouraging economic performance this year.

ABN-Amro Bets on Recovery

AMSTERDAM — ABN-Amro Bank NV said Friday it planned to issue 20 million convertible preferred shares in September to prepare for expansion and an economic recovery.

Its chairman, Robertus Hazelhoff, said the issue was planned in anticipation of a surge in lending resulting from an expected economic upturn in 1995, and partly to bolster capital for acquisitions.

Details will be announced later, the company said.

The banking concern said first-half net profit had risen 16.1 percent to 1.021 billion guilders (\$543.2 million), from 872 million guilders a year earlier. It raised its interim dividend to 1.45 guilders a share from 1.40.

WORLD STOCK MARKETS

Table of world stock markets including Amsterdam, Brussels, Frankfurt, London, Milan, Madrid, Sao Paulo, Singapore, Stockholm, Toronto, Zurich, and others. Lists stock prices and changes for various international markets.

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EUROPE

Ads Cater to Wary East Germans
Just the Facts, Please, in a World Without Yuppies

By Rick Atkinson
Washington Post Service

DRESDEN — He stares at you with a face that invites you to stare back: pursed lips, shaved head and — most intriguing in nearly all-white Germany — black skin. The caption above the photograph reads simply, "A Saxon."

Immediately after German reunification in 1990, there was an assumption by some marketing experts that advertising was hardly necessary. Demand was so great in the five new Eastern states that Western products sold themselves.

Club Cola, a survivor from communist days, reappeared with the slogan: 'Hurrah, I'm still alive... Club Cola. Our Cola.'

a national passion, the 16 million Easterners went on buying luges. "They bought insurance policies that were unnecessary, or they paid 60 percent more for a used car than we were paying in the West," said Peter Haller, co-owner of Serviceplan Advertising Agency in Munich. "Now they're disappointed and skeptical."

Advertisers have tried several tactics to accommodate these sensibilities. One approach is called "ad splitting," peddling the same product with different pitches in different markets.

The insurance concern HUK-Coburg, for example, developed a plain-print ad for Eastern Germany that contained 10 paragraphs of information and detailed instructions on how to contact the company. A corresponding HUK ad in the West showed a yuppie couple surrounded by bourgeois trappings, along with two sentences of information and the casual notation that the firm could be found in any phone book.

Other campaigns try to capitalize on resurgent Eastern pride — a growing nostalgia for the good old East — or the resentment many feel toward their Western cousins. Club Cola, a survivor from communist days, reappeared with the slogan: "Hurrah, I'm still alive... Club Cola. Our cola."

Both ad-splitting and "buy Eastern" appeals can be tricky. Ninety percent of those surveyed in one focus group last spring rejected the need for special advertising, which was seen as a discriminatory affront.

"They notice if you have one campaign for the 'stupid ones' in the East and a different campaign for the 'sophisticated ones' in the West," said Thomas Hellman, managing director of Scholz & Friends agency in Berlin.

Bundesbank Reassures on Interest Rates

Compiled by Our Staff From Dispatches

FRANKFURT — The Bundesbank's chief economist, Otmar Issing, said Friday that he expected inflation in Western Germany to slow noticeably, and indicated interest rates would be still headed lower.

West German inflation, at an annual rate, slowed in 4.2 percent in August from 4.3 percent in July, according to the Federal Statistics Office.

But Mr. Issing stressed in an interview on German television that the annual rate, measured over the past three months, had dropped below 3 percent, and he said this was a positive development.

Despite his optimistic stance on inflation, Mr. Issing would not be drawn on the timing of another German interest-rate cut. The central bank left its leading discount and

Lombard rates unchanged at 6.75 percent and 7.75 percent after Thursday's central council meeting. "In the current situation in West Germany, in the recession, the direction of monetary policy moves is present. Open is when and at what time we take the relevant steps," Mr. Issing said.

He said one reason for the Bundesbank's inaction Thursday was a concern over the strong growth in M-3 money supply last month. July's M-3 expanded at an annual 7.5 percent rate from its fourth-quarter base, compared in a 7.0 percent rise in June.

But Mr. Issing said the July figure appeared to be no great cause for concern, because it was swollen by short-term economic credits, particularly for investment in Eastern Germany.

Meantime, the Bundesbank on Friday fed liquidity into the money market at 6.8 percent, slightly higher than the rate of 6.8 percent at the previous repurchase tender. But most money-market dealers considered the move merely a technical one aimed at loosening a tight money market.

Investor's Europe

Table with columns for Exchange, Index, Friday Close, Prev. Close, % Change. Rows include Frankfurt DAX, London FTSE 100 Index, Paris CAC 40, Amsterdam CBS Trend, Brussels Stock Index, Frankfurt DAX, Frankfurt FAZ, Helsinki HEX, London Financial Times 30, London FTSE 100, Madrid General Index, Milan MIB, Paris CAC 40, Stockholm Aftersveariden, Vienna Stock Index, Zurich SBS.

Very briefly:

- A Milan court confirmed the seizure of 500 billion lire (\$312 million) worth of assets of former executives of Montedison SPA, the debt-laden agro-industrial and chemical group; those involved are Giuseppe Garofano, Carlo Sama, Arturo Ferruzzi, Roberto Magnani, Romano Venturi and the estate of Raul Gardini, who committed suicide in July.
SCA AB said net profit for the six months to June 30 grew sevenfold to 386 million kronor (\$47.3 million), and that it would sell 1.4 billion kronor of new shares to existing holders to help finance a 3 billion kronor investment in graphic-paper production in Britain, Sweden and Australia.
Zeneca PLC, the pharmaceuticals spin-off of Imperial Chemical Industries PLC, said it had won approval for British general practitioners to prescribe its Zestril drug for the treatment of congestive heart failure.
Kaufhof Holding AG, a German retailer, said it expected 1993 group net earnings to exceed 1992's 224.4 million Deutsche marks (\$134 million).
Karsnadt AG, another German retailer, said sales and profit during the first half were below expectations and it saw no improvement in the second half.

IG Metall Seeks Talks on Jobs

FRANKFURT — Germany's largest union, IG Metall, called Friday for talks among politicians, auto-industry leaders and union officials on the future of the country's car industry.
"We would like to meet with important representatives of industry and politics at one table to discuss the problems on the industry," the union's acting president, Klaus Zwickel, said at a news conference.
Of the estimated 1.7 million jobs that depended on the German car industry in 1991, about 100,000

KOHL: Bonn Officials Suggest Germany Won't Drop Trade Agreement

Continued from Page 1

has promised to come up with new proposals next week to address the dispute.
In Geneva, GATT said that its general director, Peter Suberand, would see coming meetings with Mr. Kohl and Mr. Balladur to seek support on concluding the Uruguay Round.

Mr. Suberand is to call on the German economics minister, Günter Rexrodt, and the foreign minister, Klaus Kinkel, on Tuesday before addressing the Federation of German Industry that night. He is then to meet Mr. Borchert and Mr. Kohl on Wednesday before traveling to Paris to meet Mr. Balladur on Sept. 8.

It was not clear whether Mr. Suberand would see Foreign Minister Alain Juppé of France, who has called for modifying Blair House.

Paris Heintened by Talks

Aides to Mr. Balladur, who left Paris for a weekend at his summer home in the French Alps, said an important corner had been turned in the prime minister's talks with Mr. Kohl. Reuters reported from Paris.
"Something very important happened yesterday," one aide said. "In any case, there's no

choice: Otherwise there will be a crisis, and the Germans don't want a crisis."

The French Foreign Ministry called the meeting between Mr. Balladur and Mr. Kohl meeting very positive. "It showed once again the solidity of Franco-German relations and the willingness to find common solutions to problems," a ministry spokesman said.

The consensus in the French press was that Mr. Balladur had won important concessions from Mr. Kohl. The daily Le Monde said Mr. Kohl had "made a conspicuous gesture to make Europe's return from holiday less alarming."

Leo Guyau, head of France's biggest farm union, known as FNSEA, was cautious. "It's a positive first step, but it's not enough because we must convince our other EC partners that the Blair House accord has to be renegotiated," he said in a French television interview.

Concern in Washington

Lawrence Malin reported from New York: In a statement attributed to a senior trade official, the office of the U.S. trade representative, Mickey Kantor, said "it is unclear to us at this time" whether Mr. Kohl's statements in Berlin meant that the European Community was considering a change in its support for the

deal to reduce farm supports that was struck at Blair House.

"The EC must recognize that Blair House was itself, a painful compromise and that many U.S. farm groups would like even deeper cuts in EC subsidies," the brief statement said. "Re-opening this issue poses the serious risk of unraveling the Uruguay Round and reviving the oilseeds dispute. We feel certain that the EC will live up to its agreements."

Independent U.S. trade experts suspected and even hoped that Mr. Kohl might have said one thing to mollify Paris while maintaining his support for the compromise. Nevertheless, said Gary Hufbauer of the Institute for International Economics in Washington, "I had a sort of sinking feeling when I read it in the papers this morning."

He said that American agricultural interests were only able to get "the best of a bad deal" out of the compromise, and if it came apart were certain to push for a faster phasing out of agricultural subsidies than the present period of six to eight years.

"This would be a bone in the throat of the agricultural community," he said. "After the Tokyo summit, we thought we were really making progress and the stage was finally set for a trade agreement. I hope it's still on."

2d Brewer Recalls Bottles Made in Dutch Factory

Compiled by Our Staff From Dispatches

LIESHOUT, Netherlands — A second Dutch brewer said Friday that it had found glass splinters in bottles of export beer, and that the bottles had been made in the same factory as those recalled Thursday by Heineken.

Bavaria BV said it had found the splinters during a quality-control check and was withdrawing 2.2 million bottles from sale in France, Italy, Spain and Britain. About half of the affected lot had not yet left Bavaria's warehouses.

The bottles are made by Verceingde Glasfabrieken de Schiedam, a Dutch company majority-owned by Groupe BSN of France.

BSN shares dropped 12 francs to 916 in late Paris trading. The Dutch news agency ANP

quoted the Dutch company's managing director, Jan Willem van Bussel, as saying it had warned two other brewers, Grolsch NV and Oranjeboom, about bottles delivered in them.

Earlier in the day, Heineken NV, the world's second-largest brewer, had said it would demand that Verceingde Glasfabrieken meet all costs of Heineken's withdrawal of 17 million bottles of export brew from eight countries.

Small glass chips from a rim in the neck of affected bottles could drop into the beer when bottles are opened or transported, Heineken said. Mainly invisible, the glass shards found in a routine check are unlikely to cause injury, according to Amsterdam's AMC hospital.

(Reuters, AFP)

NASDAQ

Friday's Prices
NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, Ratio, High, Low, Latest, Chg. Lists various stocks and their performance metrics.

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سكوا من الاصل

NYSE Friday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

Table with columns: 11 Month High, Low, Stock, Div, Yld, PE, High, Low, Last, Chg, 12 Month High, Low, Stock, Div, Yld, PE, High, Low, Last, Chg. Lists various stock prices.

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INTERNATIONAL FUNDS

Large table listing various international funds with columns for fund name, share price, and other details. Includes sub-sections like 'INTERNATIONAL FUNDS' and 'Other Funds'.

Aug. 27, 1993

Continued from Page 1

analysts are skeptical about British Aerospace's long-term prospects in the regional-jet business. Sales of its BAe 146 and that plane's successor, the BAe 125, fell 21 last year from 27 in 1991, and the company sold only eight jets in the first six months of this year, according to Aviam.

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Other Funds

Table listing various other funds with columns for fund name, share price, and other details.

Sega Hopes to Cash In on Illusion

Games Maker Sets Big Expansion in 'Virtual Reality'

TOKYO—Sega Enterprises Ltd. is gambling on a bold spending plan while just about everyone else here is cutting back or sitting tight.

The most painful recession to hit Japan in decades has brightened most Japanese companies into delaying new ventures and cutting back on research and development.

But Sega is plowing some of its huge earnings from its computer and arcade-games businesses — its group net profit surged 147 percent to 30.76 billion yen (\$294 million) last year — into R&D, and trying to push back the boundaries of the amusement industry in the process.

The 33-year-old company is also breaking some of the unwritten commandments of Japanese business. It is building market share by cooperating with, rather than fighting, foreign companies, steering top executives from other Japanese companies, and rewarding investors with big dividends.

Sega says its goal is to revolutionize the way people spend their free time. It has arranged a series of links with overseas companies to bring out "virtual reality" games, a genre that Sega is betting will represent the next big wave in video entertainment.

Virtual reality refers to computer-generated environments in which people feel they are moving and interacting with three-dimen-

sional images. Gloves, goggles and sometimes special clothing are used to achieve the effect.

"Sega Enterprises will be one of the best companies in this market," said Yumaka Sugiyama, director of research at UBS Securities, adding that it was in the best position to shape the game industry of the future.

The industry is already relatively healthy. Computer-game operators tend to do well

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The industry is already relatively healthy. Computer-game operators tend to do well

A virtual-reality center in Las Vegas will offer simulated undersea diving, car races and airplane dogfights, among other adventures.

when consumers worry about their spending, as visits to amusement parks and game arcades look economical when compared with skiing trips or other major vacations.

And as the business booms, Sega forges ahead. "VirtualLand," a virtual-reality center at the Lazer resort in Las Vegas, will open next year in a partnership with Circus Circus Inc. Games planned for the 20,000 square foot (1,800 square meter) facility simulate under-

sea diving, car races and airplane dogfights, among other adventures.

Sega hopes to build 20 such facilities across the United States by the end of 1995, according to the Nihon Keizai newspaper.

There are a few clouds on Sega's otherwise bright horizon. With 64 percent of its sales from overseas, Sega could feel a pinch from the rise in the yen. And European video buffs aren't taking to Sega's products as quickly as expected, according to Mitsuko Morita, an industry analyst at Morgan Stanley Japan.

But the company also has domestic plans. Sega wants to build a string of 50 computer-generated theme parks in Japan by 1997, each featuring the latest in video gizmos. Each of the centers will generate 3 billion to 5 billion yen a year for the company, according to UBS Securities.

Sega also has a long list of foreign partners in its efforts to introduce virtual reality into theme parks. Just last month, it agreed to license from the aerospace company Martin Marietta Corp. some of the simulation technology that is used in training U.S. troops.

Other tie-ups involve virtual-reality game development with W Industries, a leader in the industry; setting up an interactive cable television channel with Time Warner Entertainment Co.; and working with American Telephone & Telegraph Co. to link video-game players in different cities.

Economic Gloom And Weather Woes Wash Over Japan

Compiled by Our Staff From Dispatches

TOKYO—Japan released a series of economic reports Friday that were as dismal as the weather.

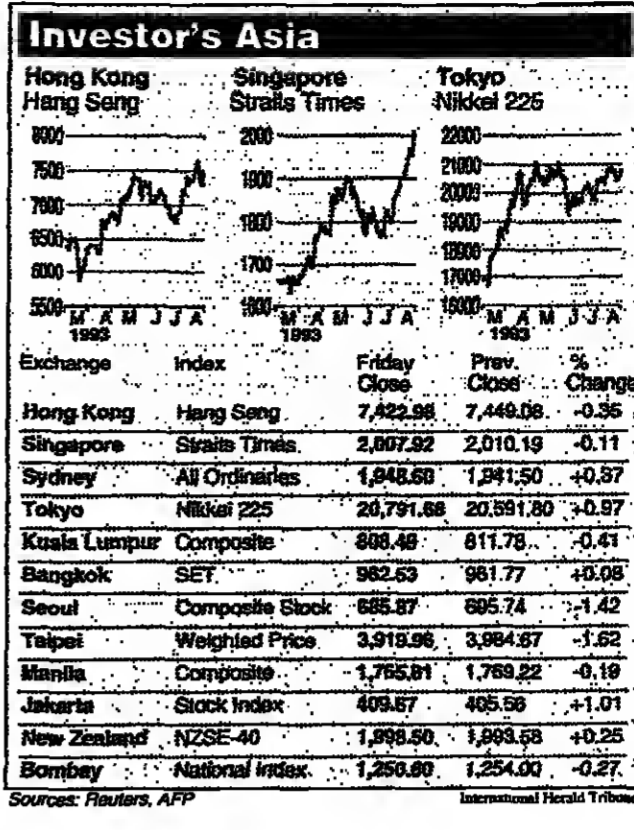
As another typhoon poured torrential rain on the country, employment data showed job opportunities continuing to shrink, inflation edged up to almost a one-year high and retail sales declined for the 14th consecutive month.

Although the July jobless rate was 2.5 percent, the lowest among economic powers and unchanged for three months, the jobs-to-applicants ratio fell to 0.72 from 0.74 the previous month, meaning there were only 72 jobs for every 100 applicants. It was the lowest ratio since August 1987.

Without adjustment for seasonal factors, the number of unemployed people in July totaled 1.59 million, unchanged from June but almost 20 percent more than the 1.33 million total a year earlier.

The slump continued at major Japanese retailers, whose sales dropped 5 percent in July from a year earlier to 2,079 million yen (\$19.83 billion), the Ministry of International Trade and Industry said.

The drop was steeper than the sales declines of 4.8 percent in June and 2.9 percent in May.



Sources: Reuters, AFP International Herald Tribune

Offer Price Forecast for Japan Rail

TOKYO—East Japan Railway Co. shares, which will be publicly listed in October, will be priced Monday, and brokers said Friday that the strong response to their sale might revive the stock market.

Brokers expect the offering price for JR East to be around 379,800 yen (53,622), the weighted average of all the bids ranged as high as 623,000 yen. But brokers said 379,800 yen was closer to the limit most investors were willing to pay.

Taipei Weighs Buying More From China

TAIPEI—Taiwan, seeking to expand trade ties with China and sharpen its competitive edge, is considering a proposal to permit imports of all semi-finished goods from China, the Economics Ministry said on Friday.

A ministry spokesman said the proposal, made by an advisory committee, would soon be submitted to the minister, Chiang Pin-kung.

Taiwan now allows imports of about 700 items from China, including semi-finished goods such as machinery components and textile materials as well as industrial raw materials and farm produce.

This figure is expected to jump to around 1,500 items by the end of this year as Taiwan, which has restricted economic contact with China since the end of the civil war in 1949, continues to ease curbs

and persuade the Board of Foreign Trade.

"Imports from the Chinese mainland will increase by at least 2,000 more items in the next few years," he said.

Mr. Chuang said allowing more imports of semi-finished goods from China would increase the international competitiveness of Taiwan's exporters, and persuade

them not to move manufacturing operations to China.

Opening further to Chinese imports would also cut Taiwan's huge trade surplus with China, which accounts for an increasing proportion of the island's overall surplus, Mr. Chuang said.

Last year, Taiwan had a surplus of \$5.16 billion with China out of two-way trade through Hong Kong of \$7.4 billion.

Japan to Act On Satellite TV

TOKYO—Japan is considering easing curbs on satellite communications and broadcasting as part of the new coalition government's drive for economic deregulation, the posts and telecommunications minister said Friday.

Takenori Kamakura said his ministry was considering allowing Japanese telecommunications companies to use retransmission satellites. At present, they may use only satellites owned by Intelsat.

The ministry also is reviewing its curbs on Japanese TV companies rebroadcasting foreign programming received by satellite.

FORTUNE: Stakes in Shanghai

Continued from Page 1

2,000 more seats, which will bring the total to 2,600.

The draw Saturday will be followed by several more this year, and similar lotteries will be organized in cities and provinces across China. About 50 billion yuan in new stocks will be issued during the year.

The present lottery system was devised after several embarrassing failures that threatened to derail China's experiment with stock markets.

Shanghai priced last year's lottery tickets too high, and so few were sold that they virtually guaranteed holders the right to buy out price stock on the primary market. The result was that tickets bought for 50 yuan were changing hands on the black market at up to 30 times their face value.

INDIA: Liberating the Economy

Continued from Page 9

effort to extend the safety net to the very poor, output growth stayed ahead of the population explosion and mass famine became no more than an ugly memory.

That is not saying much, though, in comparison with the economies of East Asia. "It was not a disaster," Stanley Fischer, former chief economist at the World Bank, said.

There were inklings of change in the mid-1980s as the administration of Rajiv Gandhi responded to complaints about red tape and the material yearnings of the middle class. In fact, the decade of the 1980s had the highest growth rate of any since independence.

But half-measures proved unsustainable. Ballooning budget deficits, accompanied by mounting foreign debts, forced India to seek help from international lending agencies. The price exacted by the World Bank and the International Monetary Fund was a commitment

BHP: Australian Conglomerate Looks Afar for Growth

Continued from Page 9

dollars on sales of 16.7 billion dollars, a rise of 132 percent from the year earlier.

Excluding exceptional items, the profit increase was a more modest 20 percent, to 991 million dollars.

Nonetheless, analysts are generally impressed by BHP's strong balance sheet, growth potential and ability to make money at a time when prices for many of its basic products are depressed.

Mr. Prescott said that in the next few years the company expects to benefit from a cyclical upturn in the world economy.

He added that this would be "reinforced by an increasing number of major capital projects in all our core businesses—steel, minerals and petroleum."

Shortly after the annual results were announced on Sydney office of Salomon Brothers Inc., advised clients to buy shares in BHP, saying the group offered "excellent long-term value as one of the world's major diversified mining and industrial companies."

Other foreign and local brokers were also bullish on BHP. Since June 24, the stock has risen by more than 15 percent.

In Australia on Friday, BHP shares closed at a record high of 16 Australian dollars, up 22 cents.

Brokers reported strong institutional buying from the United States.

James Brown, an analyst in the New York office of Morgan Stanley & Co., said he expected BHP to report average annual earnings gains of 23 percent through 1996.

Mr. Rolph said Friday that the sharp rise in BHP stock in recent weeks made it less attractive as a short-term buy. "But if I take a six- to 12-month view and longer, my analysis is still as strong and enthusiastic as it was," he added.

He said petroleum would become an increasingly important contributor to BHP's earnings, probably rising to 44 percent in 1994-95 from 34 percent in 1992-93. In the same period, he said, steel's contribution would likely rise to 23 percent from 18 percent, while minerals would fall to 33 percent from 48 percent.

Analysts said that BHP's petroleum earnings would be underpinned by 14 new oil and gas projects starting production over the next three years in Australia, Europe and Asia.

For example, the company has extensive gas and oil reserves in the North Sea and the Irish Sea off Britain, through its Hamilton Oil PLC unit.

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AMEX Friday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

12 Month High	Low	Stock	Div	Yld	PE	100s	High	Low	Latest	Chg
100	95	AMEX	0.00	0.00	0.00	100	100	95	100	+5
100	95	AMEX	0.00	0.00	0.00	100	100	95	100	+5

12 Month High	Low	Stock	Div	Yld	PE	100s	High	Low	Latest	Chg
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THE MONEY REPORT

FIRST COLUMN

Euphoria's Aftermath: Falls in Fall?

THE world's markets are rejoicing. In the United States, Canada, the United Kingdom and Spain, new stock index highs have been achieved this week. The party is being thrown to celebrate the triumph of one sector of democratic capitalist society (namely the untrammelled forces of capitalism, the markets themselves) over another (the central planners and the bureaucrats).

Lower Interest Rates Force Tough Choices

By Digby Lerner

WHAT's in an interest rate? The answer would seem to be quite a lot, judging from the manic manipulation of short-, medium- and long-term rates by governments and central banks. The intention behind the dramatic falls and rises in interest rates has usually been to persuade the foreign exchange markets to buy one currency rather than another.

The downside is that things can just as easily turn sour. Deposit accounts are full of investors whose fingers were burned in the 1987 crash and who do not wish to repeat the experience.

Sheenagh Gordon, head of marketing with Prolific fund managers in London, says that a well-managed income fund should be able to avoid most pitfalls. "We entered the retail market in 1974 with a high-income unit trust," she said. "Of course, we were hit in 1987, the same as everybody else, but in spite of that, we managed to achieve 18 years of unbroken income growth."

She added that one of the problems managers have faced in the British market during the last few years has been a trend toward dividend cuts. "We have mitigated against that," she said, "by including convertibles in our portfolio offering a high fixed yield."

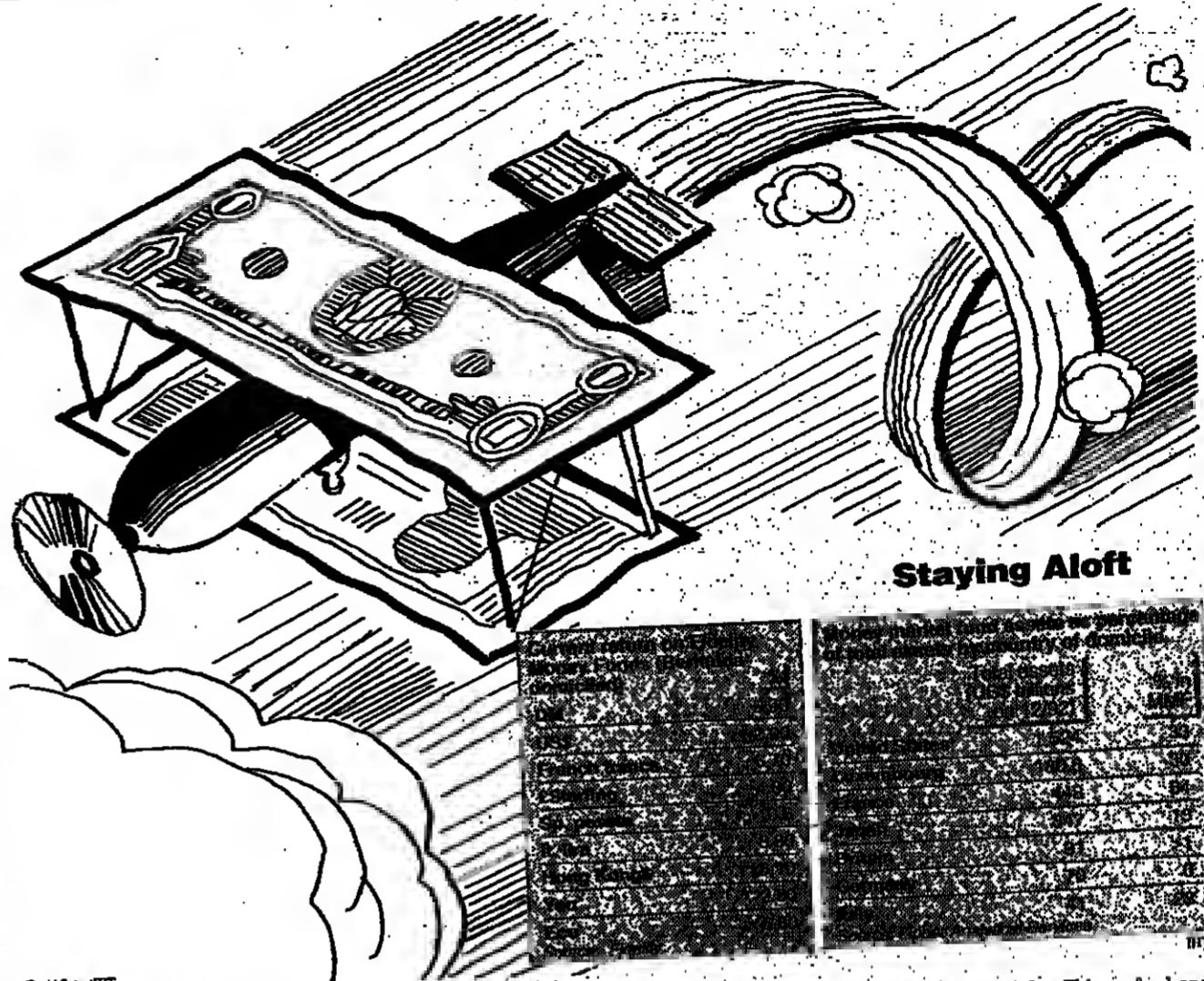
BUT she admits that with a more conservative income fund, yields can be less than deposit accounts even when interest rates are historically low. "When you look at the average yield on our fund, it's around 4 percent," she said. "The important thing to remember is that this figure is only relevant when you initially invest. We've had plenty of capital growth, too, so someone who invested with us when the fund was launched in 1974 would now be seeing income in excess of their original investment."

With some high-income funds investors need to make sure they read the fine print. While the yields they promise can often look impressive, these can sometimes be fed from the capital itself. If the manager fails to deliver the promised performance, capital can quickly be eaten up.

London-dated international bonds, said Ms. Gordon, are also a good play when interest rates are falling. "As rates come down, the capital value of bonds increases, so you can improve your income and your capital." She said that South African and New Zealand bonds have been offering impressive returns recently and that bonds generally may still have some way to go.

Jeremy Beswick, an analyst with Clerical Medical International in the Isle of Man, also favors bonds but believes investors can improve their income without taking on more risk if they put together a portfolio of short-dated bonds. He said:

"Bank deposit accounts are usually invested in the short-dated bond market. There's nothing to stop private investors doing ex-



Staying Aloft

David Sauer/STZ

actly the same thing. By moving out further than the banks in terms of maturities, you can achieve a better rate without necessarily taking more risk."

He said these bonds tend to offer a higher yield because traders err on the side of caution when considering future inflationary trends. Volatility only starts creeping in, he said, on maturities of more than seven years. By putting together a bond portfolio of stocks dated somewhere between zero and seven years, investors can often build income yields higher than the underlying base interest rate of the currency they are invested in.

International investors buying bonds need to be wary of any currency risk. A dollar investor may be tempted by a 9 percent yield in Deutsche marks but, as the recent ERM turmoil shows, such gains can turn into losses with frightening speed. Avoiding this

risk simply involves investing in the same currency in which the income is drawn.

Shearson Lehman equities analyst Joe Rooney has a different approach. He believes that even income investors should avoid regarding income as their sole objective. There are, he said, plenty of short-term capital growth opportunities in equities to make up for lost income as interest rates fall.

"As rates come down, equity markets tend to revalue," he said. "It's what happened in Britain. The revaluation there is probably complete now but there are other markets that still have to go through it. Spain, France and Switzerland are certainly worth taking a look at. People could shift their money into these markets now and probably some time next year move out again and take any gains."

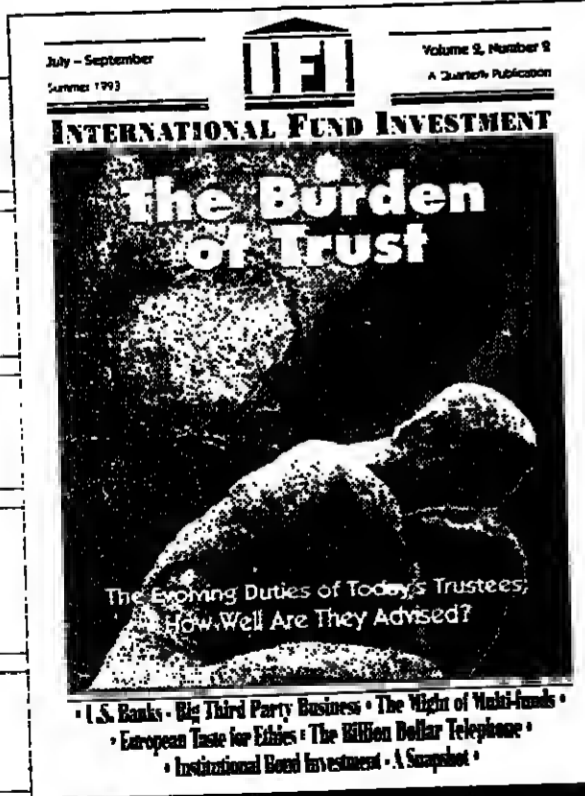
He also agrees there is some potential in the bond market but says this may be com-

ing to an end. "There's still hope for bonds, but now they're probably into the final stages of a fairly long bull market in Europe."

For income investors who find such forays into bonds and equities too nerve-racking, cash funds offer one more pooled investment alternative for those seeking income. These often provide an excellent way for relatively small investors to gain near money market rates minus a small management charge.

In Britain, Fidelity's cash fund offers a yield of 5.4 percent on a minimum of £1,000 (\$1,500) investment even though the British base interest rate is currently at 6 percent. Some cash funds are also adding other benefits normally offered by banks like check books and automatic teller machines. Better still, they are frequently available in a range of currencies.

THE CENTRAL SOURCE ON FUND INVESTMENT



"I found it to be of great interest." Gilbert de Botton - Chairman - Global Asset Management. "You have made our industry appear as exciting in print as it is in real life. Congratulations." Marc L. Landeau - Chairman - Olympia Capital Management.

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- Topics include: Fund analysis and performance. Opportunities and pitfalls in the markets. Developments in investment management. Custody and administrative issues. Regulation and technology. Personality profiles.

Traveling on the Hole-in-the-Wall Plan

NEWS from Europe's International, which has announced the establishment of a further 800 Automated Teller Machines (ATMs) in Italy this summer, was not in itself remarkable. Almost non-news, you might say. But looked at as part of a broader picture, that relatively unimportant statistic is part of a story that tells us that traveling consumers (alias tourists) are discovering a simple truth: ATMs are better value, simpler and quicker to use than travelers' checks.

The 800 Italian ATMs are CIR-RUS machines, part of the huge network (including EuroCard-MasterCard, Maestro and eurocheque) that Europay International owns after a series of mergers. The firm also has 7,600 eurocheque ATMs and 4,816 EuroCard-MasterCard ATMs in addition to its new CIR-RUS machines. And that's just in Italy.

Consider Visa, the main EuroCard-MasterCard rival for ATM dominance in Europe and worldwide. Last year, according to Visa statistics, there were 49,000 Visa ATMs in Europe. Worldwide, there were 114,000 holes-in-the-wall ready to accept Visa cards. A further 79,800 ATMs in the linked Plus network were also available. Both ATM networks are expanding all the time.

So, why is it that thousands of tourists around the world are expected to—and still do—pay for goods and services with cash and travelers' checks? Both, it could be argued, are increasingly outmoded forms of money. "With a traveler's check, what you're buying is essentially an insurance policy," said a spokesman for American Express. "If your checks are lost or stolen, they will be replaced within 24 hours—at least they will be if they are issued by American Express. It's a secure way to carry money."

BRIEFCASE

Emerging Market Guide: Exotica and Opportunities. Seekers of investment exotica—and high yields—may want to check out a new publication that identifies fixed-income opportunities like Moroccan government paper yielding 10.5 percent, tax-free. The Emerging Bond and Money Market Guide covers some 60 emerging and pre-emerging markets, ranging from Swaziland to Argentina.

Fleming Plans to Launch Fund for China Investment. Fleming Investment Trust Manager is planning to launch a fund investing in China late next month. The fund will be a closed-end investment fund, quoted on the London Stock Exchange, and will commit its monies primarily to shares of companies trading with and having assets in China that are quoted on the Hong Kong, Taiwanese and South Korean markets.

Deutsche Bank Unit Starts Fund in French Equities. DWS, the mutual fund arm of Deutsche Bank, has launched a new mutual fund investing in medium-size, non-blue chip French equities. The fund predicts an end to the downturn in the French economy this year, with a resulting increase in levels of corporate profitability that will in turn

translate into higher stock prices. Others might say that the Paris Bourse has already discounted some of that recovery in its buoyant share market, but that one of the best reasons to invest might be a perceived undervaluation of the French currency against the German mark. Falling French interest rates and the long round of privatizations might also be considered favorable factors.

Subscription form for I.F.I. magazine, including contact information for International Herald Tribune and various checkboxes for business function.

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Offshore India Fund Aims At International Audience. India, once unexplored territory for the international investment community, is now firmly on the map. British fund manager Foreign & Colonial Emerging Markets is launching a new Indian fund aimed at an international audience.

THE MONEY REPORT

Oil Shares Gush on Market Rally

By Rupert Bruce

THE August rally that has seen several equity markets in Europe, North America and Asia hit record highs has touched even the most unpromising industrial sectors. Perhaps leading the category of unlikely beneficiaries is the oil exploration and production sector.

Oil shareholders must be looking at this weekend's stock prices with a sense of relief after a summer in which Ghulamreza Azad, the Iranian oil minister, described the Organization of Petroleum Exporting Countries (OPEC) as facing the worst crisis in seven years.

From an international perspective, the British oil sector looked especially vulnerable, yet has recorded a remarkable turnaround. Many stocks fell more than 10 percent from May through July. These falls were mirrored by weakness in the price of a barrel of Brent crude, a key benchmark oil price.

It is unusual for the whole sector to be so untested, but it is not so rare for individual exploration and production stocks to oscillate. The quality of such stocks is variable: Some meet the most stringent of conservative investment criteria, others are far from it.

In recent reports, James Capel & Co., the London stockbroker, wrote: "Two stocks in the subsector can be regarded, because of exploration track record and general business performance, as being of 'investment grade': Enterprise and Monument."

Stefan Herz, an oil analyst at Smith New Court, said the oil price has been weak all summer mainly thanks to the fact that Saudi Arabia has consistently produced more oil than OPEC's quotas allow.

But to get a complete idea of why these prices move it is necessary to understand how they are calculated. Peter Hitchens, an oil analyst at Lehman Brothers in London, said: "You look at exploration and production stocks on an asset value basis. You work it out on a discounted cash-flow basis."

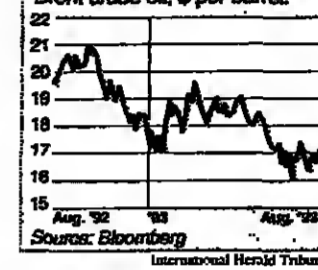
Broadly speaking, analysts take the sum of future cash flows and discount them back to present at a standard rate to calculate net asset value. They work out the cash flows

Best Performing Energy Funds

Value of \$100, income reinvested, excluding charges.

Table with 2 columns: 'Over one year to Aug. 23, 1993' and 'Over five years to Aug. 23, 1993'. Lists various energy funds and their performance metrics.

Lower Crude



Source: Bloomberg

stocks have bounced back. Mr. Herz said this was because the British stock market had been so strong; it was not a reflection of improving prospects for these companies.

There are, however, other common factors that can upset exploration and production stocks, such as the dollar exchange rate and unexpectedly good or bad exploration news.

The exchange rate is important because while exploration and production companies' costs are in the local currency, barrels of crude are priced in dollars. When the dollar rises against sterling after the pound left the exchange-rate mechanism in September last year, the exploration and production stocks rallied sharply.

Exploration news is important because the stock market price is partly based on expectations for a company's drilling program. But to get a complete idea of why these prices move it is necessary to understand how they are calculated.

Mr. Hitchens has identified two factors, which, he believes, split exploration and production stocks. One is the quality of management; the other, the degree of indebtedness.

"Perhaps the most highly geared is Lasso, which has the highest level of net debt through the acquisition of Ultramar," he said. Taking up the theme of quality of management, another analyst, who did not want to be named, said: "There are two very distinct camps. Those that are run by explorationists and those that are run by accountants."

"Generally, you find that the explorationists' companies have no perception of rewarding shareholders, whereas other companies like Hardy, which is committed to increasing the dividend, have a much better idea of what shareholders want."

This split over management and indebtedness leads to a wide range of risk levels among exploration and production stocks. Simon Flowers, an oil analyst at NatWest Markets, said: "If you want exposure to an explorer, the first port of call is probably Lasso and Enterprise. Both of those were in the FTSE (the London Stock Exchange index of 100 shares) until recently."

James Capel is recommending Monument and Enterprise among the investment-grade stocks, and Clyde as a speculative investment. Capel says Clyde shares are a speculative buy ahead of the results from an exploration well in the Yemen in the fourth quarter of this year.

But all brokers caution that it is more important today than ever before to be discerning in choosing these shares. The last British budget scrapped tax relief for oil exploration costs in the North Sea.

Tax Consequences on the Sale of Your Home

Table with 8 columns: Gain is not taxable, Gain is not taxable, Gain is not taxable, Transition of gain is postponed, Gain is taxable, Loss is tax deductible, Loss is not tax deductible. Rows include various scenarios for home sales.

Expatriate Dilemma: To Sell or Not to Sell?

By Jack Anderson

EXPATRIATES usually base their decision to accept employment in another country on the career and financial opportunities, plus the ability of their families to adapt to a different culture and environment.

A primary concern that encompasses both financial and emotional issues is the expatriate's home, often his most important single asset. Although many families would like to keep their homes, various factors may require the expatriate to sell before or after leaving the country. Also, some expatriates may decide to buy a home in the host country which will be sold at the end of the assignment.

In all of these situations, the expatriate has questions to answer that have tax consequences. Should he sell his home before he leaves? Or alternatively, should he leave it vacant or rent it? What happens if he later decides to sell his home? Is he covered by a company policy on housing sales? How can he keep any gain on the sale of his home without giving up a substantial portion to taxation? How can the important tax traps be avoided? What are the host country rules?

Let's look at the choices and consequences in the hypothetical case of Don Robin, an American oil executive who has been transferred to Indonesia. He cannot immediately sell his U.S. home and must rent it out until he can later sell.

When Don Robin started his assignment in Indonesia, he wanted to sell his U.S. home. The United States, however, was in a housing recession at that time and there were no buyers to be found, even at a loss. Don balked at the idea of leaving his home vacant and liable to vandalism. Now, it is financially viable for Don to prepay rent and mortgage costs on his home and pay for housing in Indonesia as well.

years after the sale of the old residence (four years for an expatriate).

This deferral is repeated with each sale and purchase and can effectively be a permanent deferral as long as the rules of the game are followed. However, there is an important requirement: The cost of the new residence must be equal to or exceed the sale price of the old residence. Failing these requirements, the otherwise deferred gain is taxable in the year of the sale.

Special tax forms must be completed and attached to the annual tax return to defer the gain. This is distinguished from the much more favorable rules of other countries, like France, where there is simply an exemption from any tax on the sale of a principal residence with no further requirements.

Clearly, the best way for Don to ensure that his home remains his principal residence is to move back into it before it is sold. Even if it had been considered as converted to investment property, its status changes back to a principal residence after Don and his family live in it again for a reasonable period of time before it is sold.

However, now Don and his family, after several years in Indonesia, like its culture and tropical climate and as he is near retirement, they would like to remain and buy a house there (a foreign principal residence will qualify for the U.S. deferral rules, but the rules will continue to follow him in the later sale of his foreign residence). It is still possible for Don's home to remain his principal residence status under one of the above "intention tests" if he doesn't reoccupy it?

An investigation of Don's case demonstrates that he has probably abandoned the property to his personal residence. He has no intention of reoccupying it, as he wants to buy in Indonesia, and there are no "unusual circumstances" that prevent him from reoccupying it. Don has further weakened his case because he tried to sell the home before he started his foreign assignment, which would indicate that he never wanted to move back into it.

An expatriate who can demonstrate that he never intended to sell his house, that he rented it to ensure care and maintenance of the building as opposed to making profit, and that he cannot return to his home because his employer is reassigning him to a different city in the United States has a good case to present to the IRS of intention to occupy his home. The unusual circumstance preventing him from reoccupying the home is his reassignment to another city.

Can Don contend that he intended to sell the home, but he could not because of the recession? His proof of this is not solid. He should have continually tried to sell his home during his assignment in Indonesia, instead he rented it without putting it on the market again.

A bit disgruntled upon learning that if he sells his home now it will be considered an investment property and be taxed fully on the capital gain, Don declares that he will move into it in a few months, take his one-time \$125,000 exclusion of gain from taxation when he sells it and then move back to Indonesia.

Fortunately, the risk of double home and host country taxation can usually be avoided by using international bilateral income tax treaties to eliminate host country taxation of the U.S. residence sale, but the U.S. tax problem remains. Renting of the home before sale does not necessarily make it an investment property under the tax rules, but each case is determined separately. Many of these cases have gone to court, sometimes the expatriate comes out on top, and sometimes the tax collector wins.

The cases that were decided in favor of the expatriate, where the rented property retained its principal residence status, were determined by the intent of the expatriate and the exceptional and unusual circumstances that made it impossible for the taxpayer to follow through with his intention.

The courts have found two favorable categories of intention: the intention to reoccupy the home after renting it, but extraordinary circumstances made this impossible; and the intention to sell the home, but as unusual circumstances precluded this, it was rented to ease financial burdens.

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Playing Fast and Loose With Derivatives

By Michael D. McNickle

IT IS possible to manipulate the stock market? Not just to manipulate the price of an individual issue (that's easy), but to rig the stock market itself?

The U.S. Congress has asked the Securities and Exchange Commission to report back to it by Sept. 2 on a variety of topics related to this question. In particular, the congressional subcommittee on telecommunications and finance, chaired by Edward J. Markey, a Massachusetts Democrat, is investigating the nature and adequacy of SEC oversight and regulation of program trading and front-running.

The House probe is delving into concerns that "stock index derivative products may pose a risk to the stability and integrity of the markets and afford opportunities for manipulation," according to a copy of the subcommittee's letter requesting information from the SEC.

Is there anything to it? It depends on whom you talk to. Interviews with stockbrokers and traders in New York, and current and former regulators, find a growing belief that big traders periodically game the market.

On the other hand, with one exception, industry professionals associated with the derivative markets (futures and options indexes) play down the manipulation theories and say derivatives actually boost market stability. Moreover, they argue that when big investors do move the market, making money on indexes that move up with the market, there is nothing wrong with this, it's legal.

In the wake of the past 10 years of U.S. financial irregularities and crime, from the insider trading prosecution to the junk bond, the sav-

ings-and-loan, and Treasuries big-rigging scandals, one thing is certain: Almost anything is possible. Gerald Beime, a New York stockbroker for nearly two decades, who has previously testified before Congress on market manipulation and extensively studied the subject, says there have been both specific identifiable cases of market manipulation, in addition to numerous general market moves which veteran investment pros could find no other explanation for market behavior.

THE broker compares the most basic kind of market manipulation to a scenario in which a company with shares currently being traded on an exchange decides to offer a large block of additional shares to the market. In order to get the best price, the company places substantial orders for the existing shares at the end of the day, thus forcing up the price when the new shares are unloaded.

Mr. Beime says that an index futures contract, or an option thereon, is the futures market equivalent of the new shares being sold by the company, except that "each new contract created by buyer and seller offers, in effect, several hundred thousand dollars (worth) of the stock which comprise it." Mr. Beime and other critics say program traders, in some cases, unless programmed buying to prop up the underlying shares; this, in turn, they say, inflates the value of the futures index.

Another sophisticated strategy, even more difficult for the authorities to spot, Mr. Beime says, involves what program traders call index arbitrage, which in theory should be transactions designed to exploit minute discrepancies that occur between markets, such as stock market to futures or options indexes.

Mr. Beime says that, in reality, some of these transactions are actually complex market manipulations. He said, "An arbitrager who establishes one position, and then dailies before he takes the second, incurs the risk of a substantial loss if the market moves against him in the interval." So, "if the market moves his way, he would get a better price on the second position, and a wider spread than he would have obtained from simultaneous arbitrage."

Critics say much of the problem is created by the "cash settlement" of these derivatives. A trader who has watched the inception and evolution of these new instruments says they may have an insidious effect on the markets because "it provides both the means to orchestrate volatility and the assurance of unlimited liquidity at exit points."

He said this allowed major participants "to move markets at key points in time and create their own profits with cash-settled instruments that disappear into the air" at expiration. Supporters of the transaction acknowledge some of the maneuvers amount to front-running, but they say it is all per-

fectly legal. Critics vigorously disagree, saying they believe it is a major manipulation and should be treated as such.

A federal law enforcement source familiar with manipulation cases said he believed that there have been no prosecutions for market rigging of this type. The official added that making a prosecution would be extremely difficult because the case would most likely hinge on the intent of the trader, who would undoubtedly have numerous legitimate trading strategies to explain their transactions.

Advocates of this kind of trading stress that the futures and options indexes can have a stabilizing effect on the markets, giving institutional investors and fund managers "protection on the downside," making them less nervous about slides in the market, which could trigger a selling spree.

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SPORTS BASEBALL

Rookie Left-Hander Helps Pull Yankees Even With Jays

Royals, too, Get a Boost From a Call-Up

The Associated Press
No one could fault Sterling Hitchcock and Mike Magnante if they were a little overwhelmed by their new surroundings.

After all, the two rookie left-handers toiled through unexciting seasons at Triple-A Columbus.

AL ROUNDUP

and Omaha before finding themselves called up to major-league clubs in the thick of the American-League divisional races.

If either one was nervous Thursday night, it didn't show. Hitchcock, of the New York Yankees, and Magnante, of the Kansas City Royals, each tossed seven scoreless innings to help their teams gain ground.

New York beat Cleveland, 4-0, and moved into a first-place tie in the East with the Toronto Blue Jays, and Kansas City blanked Minnesota, 3-0, to move into second place in the West.

Reliever Uses Bat to Lift Marlins

The Associated Press

Chris Hammond, a pitcher, became a pinch hitter; Benito Santiago, a catcher, played left field, and Richie Lewis, a reliever, was a hero with his bat as the Florida Marlins beat the Houston Astros, 5-4, in 13 innings on Thursday in Miami.

Lewis, at bat for the second time in his major-league career, pulled a two-out single down the left-field line to score Rich Renner from second with the winning run.

NL ROUNDUP

"I don't know if I was more stunned or elated that he hit the ball," Renner said. "When I was rounding third, I was thinking, 'Thank God this is over.'"

At 4 hours 27 minutes, the game was the Marlins' longest of the year.

Florida's manager, Rene Lachemann, won with some unusual moves. Bryan Harvey made a rare appearance in a tie game, pitching a scoreless 9th and 10th.

Hammond, a 222 lifetime pitcher, hit in the 10th and struck out. Santiago entered the game as an outfielder in the 12th — cleanly handling the only ball hit his way, a single.

Lewis was also put in an unfamiliar situation. He batted with runners at first and second in the 13th because Lachemann had no position players left on the bench.

Wait Weiss walked to start the inning against Doug Jones. After two forced outs, Orestes Desidero walked, and Lewis connected on a 0-1 fastball for his first major-league hit.

Mets 7, Rockies 1: Dwight Gooden scattered four hits in eight innings and snapped a career-high four-game losing streak as New York beat visiting Colorado.

The 22-year-old Hitchcock, promoted for a spot start in place of Scott Kamieniecki, who is injured, gave up seven hits, walked three and struck out three.

"It's a lot of fun to look around, see the guys excited, and know the importance of what's going on here," Hitchcock said. "A win is a win, but a win in the middle of a pennant race — it's a great way to get your first one."

Cleveland's Bob Ojeda, in the most effective outing of his comeback, matched zeroes with Hitchcock for six innings, but the Yankees quickly went ahead after Ojeda was replaced in the seventh. Mike Stanley hit a two-run homer off Bill Wertz in the seventh, and the Yankees added two in the ninth on Danny Tartabull's bases-loaded single.

Royals 3, Twins 0: In Kansas City, Missouri, Magnante, making only his second start since being recalled Aug. 17, allowed six hits, struck out two and walked none as the Royals moved into second place in the West, 3/4 games behind the White Sox.

Kevin McReynolds and Greg Gagne provided the offensive support with four of the five Royals' hits off Willie Banks.

Mariners 6, Blue Jays 3: In Seattle, Ken Griffey Jr. took over the major-league lead with his 38th and 39th home runs and Mike Blowers also hit a pair. It was Griffey's second straight two-homer game and his fifth this year.

Randy Johnson improved his record against Toronto to 3-0 this year, allowing nine hits, striking out eight and walking one in eight innings. He increased his major league-leading strikeout total to 234.

Red Sox 3, Rangers 1: Boston's six-game losing streak and Texas's four-game victory string both came to an end in Arlington, Texas. Frank Viola allowed four hits in 7 1/2 innings. The Rangers had scored 38 runs in their previous four games, but they couldn't get their offense going against Viola.

Orioles 9, Angels 4: Harold Baines tied the game with a two-run homer in the seventh, and the Orioles scored five more runs in the eighth against visiting California.

Brewers 5, Athletics 3: In Milwaukee, Angel Miranda pitched eight shutout innings and Juan Bell and Kevin Seitzer homered as the Brewers completed their first-ever four-game sweep of Oakland.

No Agreement at Talks

Representatives of baseball and the players association met to discuss the proposed expanded playoffs for next season, but no agreement was reached and none is expected for at least two months.

The meeting was described as very preliminary as the two sides exchanged ideas, a spokesman for the owners said. Donald Fehr, the union's executive director, said the decision could take up to three months.

The players have proposed three division winners and a wild-card team in each league starting in 1994.

For next season, at least, the owners are leaning toward four division winners and four second-place teams making the playoffs. Fehr said last week that the chances were "very small" that players would agree to the owners' idea, but the union is open for negotiations.



Despite his pleading, the Indians' Albert Belle was emphatically called out by the umpire after a tag by New York's Wade Boggs at third.

Coleman Will Never Play Again as a Met, Team Owner Vows

The Associated Press

NEW YORK — Vince Coleman, facing a felony charge after throwing a powerful firecracker at fans, is finished with the New York Mets.

The Mets, fed up with an array of trouble this season, said Thursday that the 31-year-old outfielder would not return to the club this season. The team's president, Fred Wilpon, went even further, vowing

Coleman will never play for the Mets again.

Coleman will remain on "administrative leave" — in effect, suspended with pay — until his arraignment Oct. 8 in Los Angeles on a felony charge of possession of an explosive device.

Coleman still has one year left on a four-year, \$12 million contract, but Wilpon did not say how the

Mets will get rid of him after the season.

"We have the right to act — release him, trade him or fight him on the contract," Wilpon said. "It's in the best interest of the Mets that he never wear a Mets uniform again, even if he is cleared of the criminal offense. He'll not play here again as a Met."

The Mets have been beset by

problems on and off the field in the worst season of the 32-year-old franchise.

Anthony Young's 27-game losing streak, the dismissal of manager Jeff Torborg and injuries to Howard Johnson, Sid Fernandez and other key players have been among the low points.

But there has been just as much turmoil in the clubhouse. Bret Se-

berghagen admitted putting a firecracker under a table where reporters were interviewing Young, in a separate incident. Seberghagen sprayed bleach on writers.

Coleman contributed to the disarray when he swung a golf club and hit Dwight Gooden in the shoulder, knocking him out of a start — but his latest antics landed him in court.

Prosecutors in Los Angeles said Coleman threw an M-100, which has the equivalent power of a quarter-stick of dynamite, from a car as he left the Dodger Stadium parking lot on July 24. A 2-year-old girl was among three people injured. Coleman has said he won't contest the charge.

Coleman's arraignment in Los Angeles was postponed until after the season. Conviction carries a penalty ranging from probation to three years in prison.

"You have to act professionally on and off the field," said the Met manager, Dallas Green. "Fred made that clear today. Obviously, Coleman was a big part of the mix with all the problems. To put a team together, you have to have 'we' days. That wasn't Vince's first goal."

"Things didn't happen overnight," he said, "and they're not going to stop overnight. This will be the best cure to try and get the clubhouse back to some semblance of calmness."

Coleman signed with the Mets as a free agent on Dec. 5, 1990, shortly after Darryl Strawberry left the team for the Los Angeles Dodgers. Coleman, who set NL stolen base records in St. Louis, was slowed by injuries in his first two years with the Mets and played a total of only 143 games.

Coleman is leading the league with 38 steals this season. He was batting .279 and had remained relatively healthy.

49ers' Young Fights Not Only Injury, but Montana's Shadow

By Tom Friend

New York Times Service
SANTA CLARA, California — It is not certain which thumb 49ers fans mourn more: the one Steve Young fractured or the one Joe Montana used to hitchhike out of town. Based on the popular bumper sticker circulating here, "I miss Joe," Montana probably gets the thumbs-up.

The city of San Francisco wishes he were here, not in Kansas City, because he would be the starting quarterback right now. Young broke his left thumb nearly three weeks ago on a Los Angeles Raider helmet, only Thursday switched from throwing a Nerf football to a regulation football and is not practiced in opening day in Pittsburgh.

His backup, Steve Bono, has trouble sleeping at night due to a separated left shoulder and is on clipboard duty until October. That leaves a quarterback controversy between Bill Musgrave and Elvis Grbac, who combined to lose, 30-0, to Seattle last weekend.

"What teams aren't envious anymore?" Coach George Seifert said Thursday. Young has not only inherited Montana's job, he has also inherited Montana's bored pose on the sidelines. When Montana first threw in practice last season after returning from his elbow injury, the event drew as many as 25 reporters.

When Young threw for the first time Thursday, it drew only a dozen. He is just not yet the luminary that Montana was. Even in Barcelona, where the team opened its preseason schedule, Young could not escape the shadow of No. 16.

"That might be the only English they can speak over there: Joe Montana," said the 49er publicist, Dave Rahn.

The Chiefs have even called the 49ers for advice how to handle Montana worshippers. The 49ers, according to Rahn, told the Chiefs that they used to need a security guard, at all times, to escort Montana through hotel lobbies and post-game crowds.

Young's injury compounds matters. If he cannot play, he cannot make people forget the previous regime. He is clearly trying to rectify that and has told Seifert he can play in the opener.

"I could probably go out and throw all day as long as I don't do anything stupid," Young said. "I mean, hitting my hand on a helmet would be a bad deal, and I won't get in any fights, either."

Young still talks with his hands and still signs autographs, so his injury is not too debilitating. Wearing a Toronto Blue Jays cap, he tossed about 40 passes to tight end Brent Jones on Thursday morning, and caught Jones' return passes without waggling his thumb in pain. It was only last week he was throwing an orange-and-black Nerf ball. "Throwing is part of Steve's therapy: physically and psychologically," Seifert said.

But Seifert, who was willing to bench Young, the league's reigning most valuable player, in a last-gasp effort to retain

Montana, is intent on not rushing his main offensive weapon.

For one, the right side of the offensive line — which protects Young's blind side — is in disarray. Starting right guard Roy Foster is out until at least October, and starting right tackle Harris Barton is questionable for Pittsburgh, both due to knee injuries, which leaves Ralph Tamm and Harry Boatman in charge. Young can scramble, but not that much.

Seifert's public plan has been to rest Young against Pittsburgh, and then give him a long week of work before the second game, a Monday night contest in Cleveland. "We might wait beyond Cleveland, though I don't think we would," Seifert said.

So, Thursday, Young signaled in plays to the presumed new 49er quarterback, Musgrave. Musgrave was once cut by Dallas, thinks he "looks 15 years old" and not many know him around the league, other than Mike Ditka.

On the last Monday night game of 1991, Musgrave was a late substitute in a 49ers-Bears game that San Francisco led, 45-14. He called an audible and threw a touchdown bomb as Ditka scolded.

But Musgrave was 1 for 6 for zero yards last Saturday in Seattle, and could lose the Pittsburgh assignment to Grbac, a Michigan rookie, if he again looks inept in Saturday's preseason finale against San Diego. "Two cruddy games won't instill much confidence," Musgrave said.

Nonetheless, the 49ers have too much money invested in Young — \$26.75 million over five years — to throw him carelessly to the Steelers.

On the day he hurt his thumb, for instance, team president Carmen Policy advised Young to protect his hand by keeping it in his pocket.

The owner, Eddie DeBartolo, over-hearing, said, "He already has his hand in my pocket."

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SPORTS TENNIS

Slashed From the Top of Her Game, Seles Vows to 'Start All Over'

By Robin Finn New York Times Service

SARASOTA, Florida — At the Meadows Racquet Club here, Monica Seles used to perfect the tennis strokes that made her the most dominant player of this decade. But until this late-summer day, Monica hadn't been here for months...

The tangible evidence of this is her inability even to swing a tennis racket yet, despite daily therapy at the Steadman-Hawkins Clinic in Vail, Colorado, not to mention Graf's usurping of the No. 1 ranking along with both Grand Slams played since Seles was attacked.

into tears in a clinic. For Seles, life from now on will forever be demarcated by a single, heinous event: There is before and after Hamburg, when she was on top of the world, and there is after Hamburg, when she thinks that the world, with the exception of her family, has virtually turned against her.

If this is what it takes to be No. 1, then forget it, maybe I should just go to college, go and be normal. You pay a price to be a celebrity, to be an athlete, but this is too high a price.

wonders why tabloid photographers stationed themselves, like so many snipers, in the bushes outside her hotel in Colorado. She wonders why the rumor mill has spotted her doing everything from playing a fierce game of tennis in Palm Springs to committing herself to an asylum.

Spurred rumors that she was pregnant, that her mother had cancer, that she was stifling the most venerable of tournaments because of a flap over bonus money. "And I have to stop it because I can't go through that again," she said.

to compete in the 1994 Australian Open, where she will pursue a fourth consecutive title. "And I'll prove him wrong," she said of her assailant. She's disturbed that the Women's Tennis Association called for a player vote that left her ranking unprotected in spite of the reason for her absence from the tour.

UEFA May Bypass French Federation

Compiled by Our Staff From Dispatches GENEVA — European football's governing body, UEFA, threatened on Friday to bypass French soccer authorities and ban Olympic Marseille, the Champions' Cup holders, from the coming cup competition.



GIVING THEM A HAND — Amateur Italian cyclists riding past spectators during practice on Friday for the world road-racing championships in Oslo. The amateurs and women were to compete on Saturday, with the men's professionals racing on Sunday. Tony Rominger of Switzerland, among the favored professionals, was forced to drop out on Friday because he has tonsillitis.

Court Orders Mobil To Pay Reynolds

ALEXANDRIA, Virginia — The American sprinter Butch Reynolds will get nearly \$700,000 from Mobil Corp., a primary sponsor of the International Amateur Athletic Federation, a U.S. federal magistrate ruled Friday.

SIDELINES

Burrell Defeats Christie in Berlin BERLIN (Reuters) — Leroy Burrell of the United States edged Linford Christie of Britain, the Olympic and world champion, on Friday by one hundredth of a second to win the 100 meters at the Berlin grand prix athletics meeting.

SCOREBOARD

Scoreboard table containing Major League Standings (American League and National League), Thursday's Line Scores, and Football League results.

Scoreboard table containing NFL Preseason, Transactions, and Escorts & Guides.

Langer One-Shot Leader in Germany DUSSELDORF (Combined Dispatches) — Bernhard Langer celebrated his 36th birthday on Friday by threatening to run away with the German Open during the second round before settling for a one-stroke lead at 9-under 133.

Maradona Wasn't Rejected, U.S. Says BUENOS AIRES (Combined Dispatches) — U.S. authorities here said that the embassy did not deny the Argentine soccer star Diego Maradona entry.

Tyson Attorneys Again Seek Appeal INDIANAPOLIS (AP) — Attorneys for the former heavyweight boxing champion Mike Tyson filed motions asking the Indiana Supreme Court to review his rape conviction.

For the Record Lloyd Bloom, 36, a former sports agent who was at the center of a major college sports scandal, was found shot to death Thursday at a house in Malibu, California.

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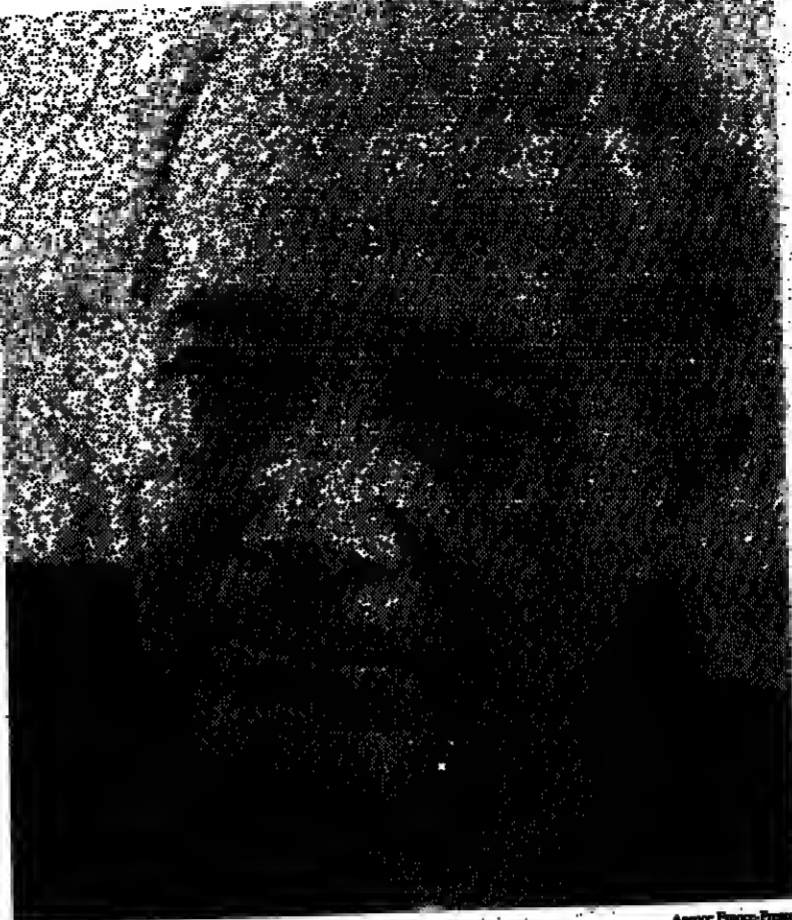
See It All on Videotape

M IAMI — If you're looking for a family vacation that involves watching enormous quantities of water go off a cliff, you can't beat Niagara Falls. We went there recently with several other families, and our feeling of awe and wonderment can best be summed up by the words of my friend Libby, who, when we first beheld the heart-stopping spectacle of millions of gallons of water per second hurtling over the precipice and thundering into the mist-enshrouded gorge below, said: "I have to tinkle." The falls have been existing this magical spell ever since they were discovered thousands of years ago by Native Americans, who gave them the name "Niagara," which means "Place Where There Will Eventually Be Museums Dedicated, for No Apparent Reason, to Frankenstein, John F. Kennedy, Harry Houdini and Elvis." And this has certainly proved to be true, as today the area around the Falls features an extremely dense wad of tourist attractions. In addition to the museums (both wax and regular), there is a place where you can see tiny scale models of many world-famous buildings, such as the Vatican, plus one of the world's largest floral clocks; plus of course miniature golf courses, houses of horror and countless stores selling souvenir plates, cups, clocks, knives, spoons, refrigerators, magnets, thermometers, folding combs, tooth brushes, toenail clippers, hats, T-shirts, towels, boxer shorts and random slabs of wood, all imprinted with what appears to be the same blurred, heavily colored, depicting some object that could be Niagara Falls, or could also be hamsters mating. We bought some of these items, and for a good reason: Our brains had stopped working. After a couple of hours of wandering around in an attraction-intensive area, we became Tourist Stupid. Many cases can be seen logging video cameras the size of window air conditioners, relentlessly videotaping everything in their path — parking lots, sidewalks, litter barrels, restrooms, random patches of dirt — so they can share these Precious Vacation Memories with their friends when they get home.

Knight-Ridder Newspapers

The Film Festival Merchant of Venice

By Ken Shulman R OME — Although his mind is slightly numbed from having viewed nearly 200 films over the past three months, Gillo Pontecorvo has managed to preserve his personal vision for the 50th Venice Film Festival. "I'd like to recreate the climate that I remember here when I was a boy," says the 73-year-old director who won the Golden Lion at Venice in 1966 with "The Battle of Algiers." "When young people would come from all over Europe, staying in campgrounds or third-class pensioni and eating the pasta e fagioli at a small, delicious restaurant next to the padiglione del cinema." When cinema seemed so important that we would stay up until four or five in the morning discussing the films we had seen that day, and those that we hoped to see tomorrow." The author of just six films — several of which have literally etched themselves into the history of cinema — Pontecorvo also has vibrant memories of his experiences as director at Venice. His 1960 masterpiece "Kapò," a film set in the women's barracks of a concentration camp which plumbs the once taboo theme of the symbiosis between jailer and jailed, received the longest applause in the history of the festival. With "The Battle of Algiers," the pacifist, doubt-ridden director did not even expect to be invited to the festival, let alone win it. Screenwriter and co-author Franco Solinas needed two weeks just to convince him to submit their film. And when his name was read as the winner of the festival's highest prize, Pontecorvo's wife, who was nine months pregnant, had a series of contractions and nearly gave birth in the auditorium. Born a week later, their son was named Marco, after Venice's Piazza San Marco and in memory of the festival. One of eight children in an affluent Pisan family, Pontecorvo began his career as a journalist for Agence France-Presse where he gradually moved into photography. After seeing Roberto Rossellini's "Paissà," he decided to become a filmmaker, shooting a series of successful documentaries before making his first feature film "Giovanna" in 1952. For the past five years, Pontecorvo's friends and colleagues had been pressing him to assume the directorship of the Venice Film Festival. After an initial refusal, he accepted the post in 1987. "I can't resist it either, even though I know I shouldn't listen. And I have yet to find my mast." Yet the siren that has entranced Pontecorvo has also led him to enchantment, and to take risks that few directors would



Gillo Pontecorvo, new director of Venice's 50th annual film festival.

hazard. When casting "Queimada," Pontecorvo insisted on Marlon Brando for the part of the English seaman Steve Williams, even though his producers at United Artists thought Steve McQueen was a better box office draw. And Brando responded with one of the finest performances of his career. For the role of the black rebel leader, Pontecorvo once again balked at the studio's choice, Sidney Poitier. "Sidney Poitier is an excellent actor," Pontecorvo explains. "He just didn't have the right face." Pontecorvo's search for the right face took him across South America, and finally to an isolated village in Colombia where he found a young farmer named Marquez. Marquez had never seen a film, let alone acted in one. He had never seen an electric light, but his cryptic, impenetrable expression was perfect for the part. Pontecorvo assured his producers that his newly-found protagonist spoke passable English, when in reality Marquez did not even speak Spanish. "He signed the contract for the film with his fingerprint," the director remembers. After the Venice festival, Pontecorvo plans to complete the writing of a script entitled "I Segnati" (The Signs). The film will be an interior reflection, examining those emotional marks that cause a man to yearn for the sense of shelter and protection he knew only in his infancy. Pontecorvo, who helped write the music for "Kapò" and "Battle of Algiers," has already composed the principal musical themes for "I Segnati." And this, in turn, is a sign that his 11-year drought is over. "If the music is born, it means that the film will be made," he promises. "This is the point of no return, and I've passed it." Ken Shulman is an American writer based in Italy.

PEOPLE

Wedding for Spike Lee? Silence on All Fronts

Lips are zipped about reports that Spike Lee will marry Tonya Lee-Lewis, 32, a Washington lawyer. The New York Post reported that the two, seen together frequently at basketball games, plan to marry Oct. 2 in New York. But a call to the film director's production company yielded only this: "We have no information to give about Spike's private life."

Doctors granted Mother Teresa her wish for her 83rd birthday and discharged her from the hospital on Friday. She had been in the New Delhi hospital for a week with malaria fever.

A rare early recording by the Beatles, made in the Cavern Club in Liverpool, has sold for \$5,000 (\$9,000) at Christie's in London. The double-sided acetate disc, made in 1962, featured the group performing "Some Other Guy" and "Kansas City/Hey Hey Hey!" "I thought the record had disappeared years ago with various house moves. Luckily, my brother had lent it to a friend," said the seller, Owen Mould of Wales. "Some years ago, he took it to a shop in Brighton for me and was offered £14." A feather-trimmed negligee worn by Madonna sold for £11,000.

A nap in public. A previously unobserved paller in her complexion. As far as Japan's royal-watching tabloids are concerned, it can only mean one thing: Crown Princess Masako is pregnant. But the palace says such hopes are premature. Masako and Crown Prince Naruhiko were married in June.

After three days of visiting Florida tourist attractions, Princess Diana and her sons, William and Harry, are off to a secluded resort in the Bahamas. They will stay at the vacation home of the Menzies family near Nassau. Diana's close friend Kate Menzies is one of those accompanying the royals on their vacation.

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